United States
Department of
Agriculture

Economic
Research
Service

Vol. 14, No. 2

Policy Research Notes

Issue 28

Issues and Alternatives for

1990 Agricultural and Food Policy

CONTENTS

CONTENTS

Policy Research Notes is published by the Economic Research Service, USDA, and the Illinois Agricultural Experiment Station for professionals in Public Agricultural and Food Policy Research, Teaching, Extension and Policymaking. Policy Research Notes is a cooperative effort of the Illinois Agricultural Experiment Station and USDA-ERS, prepared by R.G.F. Spitze, Department of Agricultural Economics, 1301 West Gregory Drive, University of Illinois, Urbana, Illinois 61801 and Harry S. Baumes, Jr. U.S. Agricultural Policy Branch, ATAD, ERS, 1301 New York Avenue NW, Washington, D.C. 20005-4788.

No. 28 Washington, D.C. May 1990

INTRODUCTION

Issues and Alternatives for 1990 Agricultural and Food Policy is the theme of this issue of the Policy Research Notes. Between the time of this release and September 30, 1990, there will very likely be developed a new policy to replace the terminating Food Security Act of 1985.

Public policy development in the United States is always unpredictable as well as interesting. Even though some outlines of the 1990 policy development are beginning to emerge, there is still much uncertainty as to both eventual timing and content. Much activity as an integral part of policymaking has already been underway for well over a year by individuals, diverse rural and urban interest groups, public policy researchers and educators, the many federal agencies, and certainly within Congress and the Department of Agriculture. Numerous statements have been issued on a myriad of critical issues, position papers have been released, proposals put forward, hearings held, and bills introduced.

In contrast to recent cycles of agricultural and food policy development, policymakers seem now to be commencing serious discussion and negotiations with a greater consensus on the issues and challenges, and in particular, on using the expiring 1985 Act as the point of departure. Yet, difficult and important issues -- some old and some new -- are on the agenda, such as trade, price and income support levels, environment, food quality, production balancing techniques, and budgetary impacts. Many are sure to be contentious and to prolong the search for a reasonable compromise. Current, accurate, and relevant information about these issues will be invaluable to all participants in this policy process.

These topics are spoken to in this issue of the Notes by means of Executive Summaries of background papers prepared by public policy researchers for a recent National Agricultural and Food Policy Workshop in Washington, D.C. The papers were developed on most topics to: review the status of the current relevant policy, characterize the major problems being experienced with that policy, and provide analysis of alternative future policies. On that occasion, participants from across the full spectrum of interest groups, researchers and educators, and policymakers entered into discussions. The overall issues that were focused upon in the various sessions included:

National and international economic environment
Rural income strategies
Environmental policy concerns
Food policy issues
Long-term farm price-income-trade-food policies
Federal budgetary implications of policy
Policy trade-offs
Initial findings of a national policy preference survey among farmers

Many other useful sources of data and analyses are available for policy participants throughout the nation. For example, USDA ERS economists have prepared nineteen commodity background papers relevant to the various titles and sections of a likely legislative Act. They also are participating in fifteen issue committees as a part of USDA's Farm Bill Task Force. In addition, a subcommittee of the National Public Policy Education Committee (NPPEC) has involved public policy specialists from Land Grant Colleges of Agriculture in preparation of fifteen background educational leaflets, keyed to the titles of the existing 1985 Act.

In order to continue to provide an avenue for current communications between policy workers and a source of up-to-date policy developments, this issue of the Notes also includes sections about policy announcements, research news items, publications available, and updates on commodity program, administrative, and legislative decisions.

ANNOUNCEMENTS

Compiled by R. G. F. Spitze

1990 NPPEC Conference Scheduled

The 40th Annual National Public Policy Education Conference (NPPEC) has been scheduled for September 17-20, 1990, in Park City, UT.

For further information or input into the program development, contact Roy Carriker, NPPEC Committee and Program Chair, Food and Resource Economics Department, Room G-103 McCarthy Hall, University of Florida, Gainesville, FL 32611.

IAAE Interconference Symposium in Israel

"The Cooperative Experience in Agriculture: International Comparisons," is the subject of an Interconference Symposium arranged by the International Association of Agricultural Economists (IAAE), to be held in the Settlement Study Centre, Rehovot, Israel, in the Spring, 1991.

The symposium will assess the achievements and shortcomings of alternative forms of cooperation in agriculture. Theoretical and empirical studies will be presented regarding the operation of primary, secondary and tertiary cooperatives. The symposium will contrast the factors determining cooperative success in differing economic and socio-political contexts: in industrialized and developing nations; in market and centrally planned economies. The symposium will draw lessons from past experience for the formulation of policies promoting improved cooperative performance.

Participation will be limited to 80. The participants will be selected from among those submitting paper abstracts. Abstracts of up to 300 words must be received by the Local Organizing Committee no later than 31 May, 1990. English will be the language used in the Symposium. The estimated cost of participation in the symposium is $450, all-inclusive (conference fees and room and board for 5 days).

For further information about the symposium, contact the following, giving name, address, position, profession, institution, and field of interest:

The Local Organizing Committee, IAAE
Symposium on Cooperative and Agricultural Development
c/o
Settlement Study Centre
P.O. Box 2355
Rehovot 76120
ISRAEL

Farm and Food System Transition Project End

The eighth and final installment of leaflets has now been published from the National Cooperative Extension Project on "The Farm and Food System in Transition." (See Policy Research Notes, December, 1983, June, 1984, November, 1984, June, 1985, December, 1985, and May 1987 for announcement of earlier issues). They are part of a series of 58 papers designed to provide a comprehensive discussion of the U.S. farm and food system and related public policy issues expected to be on the agenda for the 1980s and beyond. Titles of this last installment of papers are:
57. Larry Libby and James D. Caudill. "Land Policy and the U.S. Food System."
58. Jim Shaffer, Larry Libby and Vernon Sorenson, "The Farm and Food System in Transition: Reflections and Future Perspectives."

The last paper is a set of reflections and statements of prospective policy issues based on prior project papers and the authors own intellectual proclivities.

These leaflets are planned for use individually or as sets by readers with specific interests and as a total collection for those seeking a general understanding of the system. Reproduction in whole or part, or adaptation for a specific audience, is encouraged as long as the project and authors and properly cited. Sponsors of

this worthy project have been the Extension Committee on Policy (ECOP), USDA-Extension, Michigan State Cooperative Extension Service, and the Federal State Cooperative Extension Service.

All 58 of the leaflets will be deposited and properly catalogued in most agricultural libraries across the nation. For individual copies of the above papers or further information about this project, contact Vernon Sorenson or Jim Shaffer, the Project Director, Department of Agricultural Economics, Michigan State University, East Lansing, MI 48824-1039.

National Center Offers Resident Fellowships

The National Center for Food and Agricultural Policy (NCFAP) is inviting applications for resident fellowships in food and agricultural policy during the 1990-91 academic year. These fellowships will be awarded for a period of six to twelve months, to young professionals who wish to pursue scholarly work on current or emerging national issues related to food and agricultural policy.

The National Center is pleased to announce that applications are now being accepted for the 1990-91 Resident Fellowship Program. The Center will award up to three resident fellowships in food and agricultural policy. The award is open to individuals in any discipline who have completed their doctoral requirements by the beginning of the 1990-91 academic year. Mid-career professionals who wish to pursue scholarly work on current or emerging national public policy issues related to food and agriculture and professionals who will be on sabbatical leave during the fellowship period are encouraged to apply. The application deadline is April 2, 1990.

For more information applications forms, write to: Resident Fellowship Program, National Center for Food and Agricultural Policy, Resources for the Future, 1616 P Street, N.W.. Washington, D.C. 20036.

Innovative Policy Education Projects Underway

Sponsored by the Kellogg and Farm Foundations, the following projects, with cooperating organization and contact persons indicated, are now underway. Some publications are available:

Communicating America's Farm Policy (American Agricultural Editors' Assn.)

Lyle Schertz
Editor, CHOICES
12708 Oak Farms Roads
Herndon, VA 22071

Trade and Development: Trade Policies, Third World Development, and United States Agriculture (Bread for the World)

Don Reeves
Bread for the World Inst. on Hunger & Development
802 Rhode Island Avenue, N.E.
Washington, D.C. 20018

Iowa Public Policy Consortium: A New Institutional Structure for Public Policy Education in Iowa (Iowa State University)

Mark Edelman
Iowa State University of Science and Technology
560 East Hall
Ames, IA 50011

Food Forum Education Project (League of Women Voters/Public Voice)

Mary Stone
League of Women Voters Ed. Fund
1730 M Street, N.W.
Washington, D.C. 20036

Ellen Haas
Public Voice for Food & Health Pol.
1001 Connecticut Avenue, N.W.
Suite 522
Washington, D.C. 20036

Northeast Network Project (Northeast Network)

Audrey N. Maretzki
Pennsylvania State University
205 Borland Laboratory
University Park, PA 16802

Carol L. Anderson
Cornell University
Martha Van Rensselaer Hall
Ithaca, NY 14853

National Groundwater Policy Education Project (Pennsylvania State University)

Charles Abdalla
Pennsylvania State University
2 Weaver Building
University Park, PA 16802

Policy Options and Strategies for Total Community Adjustment: A Texas Program Model (Texas A&M University)

Ronald K. Knutson
Texas Agr. Extension Service
Texas A&M University System
College Station, TX 77843

Dennis Fisher
Texas Agr. Extension Service
Texas A&M University System
College Station, TX 77843

The Rural-Urban Interface (University of Arizona)

Nancy Cole-Huber
Community Leadership & Resource Development
Arizona Cooperative Extension
University of Arizona
Tucson, AZ 85721

The Global Food Web (University of Georgia)

Charles Norman
Cooperative Extension Service
University of Georgia
302 Hoke Smith Building
Athens, GA 30602

Farm Policy Debate in an Interdependent World (University of Illinois)

Laurian Unnevehr
University of Illinois
1301 W. Gregory Drive - 305 M.H.
Urbana, IL 61801

Restructuring the Upper Midwest: Policy Issues and Choices (University of Minnesota)

Jane Stevenson
Dept. of Agricultural & Applied Econ.
University of Minnesota
1994 Buford Avenue
St. Paul, MN 55108

For information on this total educational effort, contact W. J. Armbruster, Farm Found., 1211 W. 22nd St., #216, Oak Brook, IL 60521

Regional Conference on Marketing and Policy

"Applied Commodity Price Analysis, Forecasting, and Market Risk Management" is the theme of the annual NCR-134 Conference, which will be held at the Bismarck Hotel, at Randolph and LaSalle, Chicago, IL, April 23-24, 1990. Several papers dealing with policy issues are usually on the program. For further information and registration materials contact:

Marvin Heyenga
Department of Economics
Iowa State University
Ames, Iowa 50011

POLICY RESEARCH NEWS NOTES

Compiled by R.G.F. Spitze

A Simulation Exercise for Teaching Renewable Resource Management

A microcomputer-assisted simulation that teaches principles for sustainable management of renewable resources has been developed for classroom use. The three-hour exercise gives groups of eight to forty students or policymakers an understanding of the nature and implications of the biological and economic forces that have led to steady deterioration of the globe's fisheries and other renewable resources.

Inquire about this teaching resource from Dennis L. Meadows, Institute for Policy and Social Science Research, Hood House, UNH, Durham, NH 03824.

LISA Program Continues to Grow

During its first two years of existence, the LISA program (Low-Input Sustainable Agriculture) has provided funding for 78 research and education projects. There has now been published a summary of LISA activities to date, including projects funded, by subject and state.

Inquire about this project from James Patrick Madden, P.O. Box 10338, Glendale, CA 91209, and request a related publication, LISA 88-89: Low-Input Sustainable Agriculture Research and Education Projects Funded in 1988 and 1989, December 1989, from Patricia Dunn, CSRS USDA, 342 Aerospace Ctr., Washington, D.C. 20250-2200.

Agricultural Export and Trade Policy Center Launched

The Department of Agricultural and Resource Economics, University of Maryland and the Maryland Department of Agriculture have launched the Maryland Agricultural Export and Trade Policy Center. Its purposes are to increase exports of food, agriculture and fishery products and to conduct research in trade policy toward increasing understanding of the complex web of economic and political forces that affect trade.

Inquire about this policy effort from Earl H. Brown, Department of Agricultural and Resource Economics, Symons Hall, University of Maryland, College Park, MD 20742.

National Agricultural and Food Policy Workshop

A national food and agricultural policy workshop emphasizing likely key issues for the 1990 policy development was held in Washington, D.C., November 16-17, 1989. It was sponsored by North Central Policy Research Committee (NCR 151), American Agricultural Economics Association (AAEA), AAEA Foundation, Kellogg Foundation, Farm Foundation, National Center for Food and Agricultural Policy-Resources for the Future, USDA-Economics Research Service, USDA-Extension Service, and USDA-Cooperative State Research Service. Presentations and discussion among participants from diverse organizations and agencies focused on: Current World and U.S. Economic Environment; Rural Development Strategies; Environmental Policy Issues; Food Policy Issues; Long-Term Farm Prices, Income, Trade, Food Issues; Federal Budgetary Implications for Policy; and National Policy Survey Preferences of Farmers - Initial Findings. Executive summaries of all papers from the Workshop are included in this issue, and may be copied for further distribution.

Inquire about the availability of the complete papers being published in a proceedings from the editor and Chair of the Workshop Planning Committee, R. G. F. Spitze, 305 Mumford Hall, 1301 W. Gregory Drive, University of Illinois.

World Food, Trade, Food Security, and Aid Workshop Held

A workshop was recently held in Washington, D.C. to discuss the future of U.S. food aid and to make specific recommendations for the 1990 Agricultural and Food Policy. The workshop was co-sponsored by the Center for Agricultural and Rural Development (CARD) and USAID. Proceedings will be published by CARD in April 1990. One recommendation that emerged from the conference is to provide food aid on a multi-year basis, integrated with policy reforms and other economic issues. This is seen as enhancing the development uses of food aid.

Inquire about this policy activity from John Helmuth, Center for Agricultural and Rural Development, 578 Heady Hall, Iowa State University, Ames, IA 50011.

Iowa State's CARD Develops Research Agreement with USSR Scientists

An ongoing research agreement between the USSR Lenin All-Union Academy of Agricultural Sciences (VASKhNIL) and Iowa State University is being implemented. It recently involved the visits of Soviet researchers with the Center for Agricultural and Rural Development in October to study CARDs research projects and techniques. Among the Soviet delegation was Luidmila Petrova, director of the Stavropol Institute of Agriculture and member of the Soviet parliament.

Inquire about this cooperative effort from Stanley R. Johnson, Center for Agricultural and Rural Development, 578 Heady Hall, Iowa State University, Ames, IA 50011.

Producer Attitudes Toward Egg Supply Management

Two national surveys were carried out to examine egg producer attitudes concerning the following policy issues: (1) instruments to limit supply of fresh shell eggs; (2) the current promotion and research vehicle; and (3) the possibility of an export promotion program. Inquire about these efforts and request a related paper titled "Egg Producer Attitudes Toward Supply Management", May/June 1989, from Milt Madison, 1-C Weaver Bldg., Penn State Univ., University Park, PA 16802.

Who Are Our New Farmers

This study involved a survey of one hundred, seventy-eight beginning North Dakota farmers in March and April 1989. The purpose was to determine their demographic, farm, and financial characteristics, and the extent of their off-farm employment. Then, these findings were compared to a panel of already-established farmers.

Inquire about this study and request a copy of a related paper, Beginning Farmers in North Dakota, August 1989, from F. Larry Leistritz, Dept. of Ag. Econ., North Dakota State University, Fargo, ND 58105-5636.

What Happens to Displaced Farmers

In this inquiry, one hundred, fifty-one former North Dakota farmers were surveyed in March 1989 to determine the following: (1) their demographic, farm, and financial characteristics; (2) the circumstances of their exit and transition; (3) current employment; and (4) current family well-being. Results are compared to a similar, earlier study in 1986 and to a survey of farmers still in operation.

Inquire about this inquiry, and request a copy of a related report, Facing Economic Adversity: Experiences of Displaced Farm Families in North Dakota, November 1989, from F. Larry Leistritz, Dept. of Ag. Econ., North Dakota State University, Fargo, ND 58105-5636.

Trade Relations Between U.S. and Japan Examined

This study revealed current trade information about these trading partners. In fiscal year 1989, U.S. agricultural exports to Japan totaled $8.2 billion. Japan is the largest single-country market for U.S. agricultural exports recently accounting for 21 percent of our total agricultural exports. However, despite some recent efforts to further open Japanese markets, U.S. agricultural and trade interests believe

more needs to be done. The study briefly highlights selected U.S.- Japanese agricultural trade issues and provides a few selected statistics.
Inquire about this study from Donna Vogt, CRS/ENR/LM423, Library of Congress, Washington, DC 20540, and request, from a Senator or Congressman, a related report, U.S. - Japanese Agricultural Trade Relations, CRS Rept. No. 89-G55ENR, December 5, 1989.

National Center Releases New Policy Book

The National Center for Food and Agricultural Policy at Resources for the Future announces the release of an important new book on agricultural policy challenges for the future, titled The Political Economy of U.S. Agriculture-Challenges for the 1990s; edited by Carol S. Kramer, fellow in food and nutrition policy at Resources for the Future. In this volume, more than twenty analysts, researchers, and other experts examine U.S. agricultural policies, now under pressure from a variety of forces. Consumers are concerned about issues relating to the environment, food safety, and new technologies; financial instability and budget pressures pose additional policy challenges on the domestic front; and trade policy disputes and the interdependencies of a global economy challenge agriculture from abroad. The authors examine ways in which the policy process responds or fails to respond to these formidable forces for change and identifies the principal challenges facing U.S. agriculture in the 1990s.

Inquire about this publication (charge of $23 includes handling) from Publications Department, Resources for the Future, 1616, N.W., Washington, D.C. 30036.

Adjustment in Great Plains Agriculture

This research focused on the problems and alternatives for the agricultural sector of the Great Plains. Forces of change that are prompting adjustment are identified and evaluated. Kinds of adjustments are noted and discussed. Then, implications for policy are described with suggestions for agricultural programs.

Inquire about this research and request a related bulletin, "Problems of Adjustment: The Agriculture of the Great Plains", November 1989, from either Thomas A. Miller or Warren L. Trock, Department of Agricultural and Resource Economics, Colorado State University, Ft. Collins, CO 80523.

Cattlemen's Association Looks at the Future of the Beef Industry

In a final phase of inquiry by the National Cattlemen's Association Beef Industry Concentration-Integration Task Force, the changing beef industry structure and implications are analyzed. Eight issues are as: (1) concentration, (2) integration, (3) packer and feeder control of inventory, (4) price discovery and reporting, (5) competitiveness, (6) credit and finance, (7) Govt. regulation, and (8) international developments.

Inquire about this ongoing work and request a copy of the final report, Beef in a Competitive World, October 25, 1989, from Chuck Lambert, Director of Economics, National Cattlemen's Association, Box 3469, Englewood, CO 80155.

Kansas Farm Operator Policy Views

Recent research was undertaken to report and analyze the responses of Kansas farm operators to the 20-state cooperative survey coordinated by Harold Guither, Marshall Martin, Bob Jones and Robert G.F. Spitze. Nonparametric (Chi-square) and parametric (regression) analyses were undertaken to uncover the statistical relationships between farm operator characteristics (age, type and size of farm, etc.) and policy opinions. Results are now available from the analyses.

Inquire about this research and request copies of two related papers, "Self-Interest Among Kansas Farm Operators: Survey Results on Agricultural and Public Policy Issues," November 1989 and "The Farmer and the Cowman: Kansas Farm Operator Survey Results on Agriculture and Public Policy Opinion," November 1989, from Andrew Barkley, Department of Agricultural Economics, Waters

Hall, Kansas State University, Manhattan, KS 66506.

Pesticides and Consumer Risks

In ongoing research concerning Chemicals in the Human Food Chain, research at the University of California Agricultural Issues Center has most recently focused on pesticides and risks in food consumption. Findings relate to the benefits and risks of pesticide use, pesticide regulations, and estimates of risks from pesticide residues.

Inquire about this research and request a copy of the first report (may be a charge), Pesticides in Food: Assessing the Risks, in a related series from Harold Carter, Agricultural Issues Center, UC Davis, Davis CA 95616.

Food and Diseases

This research found, that in 1987, cases of food poisoning in the United Kingdom were reported 20% up from 1986. This reinforces that food-borne disease is one of the major food and health issues facing consumers and food industry alike. This study provides a comprehensive critique of the current issues and sets out major recommendations for action by food manufacturers, caterers, the public, and consumers alike.

Inquire about this study and request a copy of a related publication (may be a change), Food-Borne Disease: The Hidden Hazard, March 1988, from Verner Wheelock, Horton Publishing Limited, 6 Southbrook Terrace, Bradford, West Yorkshire B71 1AB.

Making New Zealand Agriculture More Sustainable

This research centered on how to make New Zealand agriculture more sustainable given the various national and international uncertainties facing it. Work with the four regional research centers of the Ministry of Agriculture and Fisheries (MAF) as well as the Ministry headquarters in Wellington contributed to the findings.

Inquire about this research and request a copy of a related paper, "The Challenges of Making New Zealand Agriculture More Sustainable," from Kenneth A. Dahlberg, Dept. of Political Science, Western Michigan University, Kalamazoo, MI 49008.

Protecting Incomes of Specialty Crop Producers by Product Differentiation

Specialty crops grown by multiple producers are often viewed by consumers as differentiated products that command a price premium. Through a case study of Georgia's Vidalia Onions and an analysis of producer price data, the problem is examined of the protection of product differentiation of regional specialty crops grown by multiple producers.
Inquire about this study and request a copy of a related report, "Product Differentiation Protection: Developing a Strategy for Multiple Producers of Regional Specialty Crops," November 1989, from Terence J. Centner, University of Georgia, Department of Agricultural Economics, Athens, GA 30602.

Economic Analysis of Technological and Institutional Innovations in the Agrofood Industry

Research is under way in this project on the nature of innovations, forecasts on their evolution in the future, determining factors of their rate and direction, long run socioeconomic effects, up and down stream implications (i.e. farm gate and distribution ends), appropriate public policies, and impacts on international competitiveness.
Inquire about this study and request a copy of a related paper, "Innovación Technológica en la I.A.A." Agricultura y Sociedad, 53, 1989, from Alfredo Cadenas, Dpto de Economia y Desarrollo, Facultad de Economia y Administración, Universidad Autónoma, 28049 Madrid (Spain).

Can Cooperatives Assist Limited Resource Farmers

Increased numbers of small and part-time farmers, together called limited resource farmers, create new opportunities for

cooperatives. This research advances the hypothesis that cooperatives can assist limited resource farmers. Survey responses are analyzed to show distinction between limited resource and commercial farmers and to contrast selected features of limited resource farmers based upon membership in a cooperative.

Inquire about this research and request a copy of an initial report, "Limited Resource Farmers and Participation in Agricultural Cooperatives: Some Evidence from Georgia," November 1989, from Terence J. Centner, University of Georgia, Department of Agricultural Economics, Athens, GA 30602.

Agricultural Wetland Reserve Costs Estimated

In this study, estimated costs of obtaining permanent easements and restoring wetlands on the least expensive 2.5, 5, and 10 million acres of cropland on former wetland (hydric) soils range from $845 million to $6.7 billion, with easement costs accounting for two-thirds to three-quarters of total costs. Preliminary estimates of partial benefits from increased waterfowl hunting, improved water quality and flood reduction range from $2.3 to $9.1 billion. Simulations indicate that, holding expected ARP and target prices constant, substantial reductions in deficiency payments and farmer owned reserve storage payments could offset easement and restoration costs.

Inquire about this research and request a copy of an article, "Beyond Swampbuster: A Permanent Wetland Reserve," Journal of Soil and Water Conservation, 44(4), September-October 1989, from Ralph Heimlich, USDA/ERS, 1301 New York Ave NW, Room 408, Washington, DC 20005-4788.

GATT and Agricultural Trade

This research concerns current agricultural trade problems with particular reference to cereals; negotiating positions on agriculture in the Uruguay Round; mid-term review and agreement on short term measures; and negotiations on long term reform.

Inquire about this research from A.J. Rayner, Department of Economics, University of Nottingham, University Park, Nottingham, NG7 2RD.

Prospects for the EEC Market for Food

This study analyzes the implications for the food industries "Toward 1992." It includes the background to the EEC's strategies for food markets and a review of the key proposals for new legislation on food additives, materials in contact with food, and official inspection.

Inquire about this research and request a related publication, Towards 1992: Completing the EEC Internal Market for Food, March 1988, (may be a charge) from Stephen Fallows, Horton Publishing Limited, 6 Southbrook Terrace, Bradford, West Yorkshire BD7 1AB.

Effects of Public Agricultural Research and Other Policies

This study pursued new estimates of supply and demand elasticities for multi-product cash grain farms and estimates of input bias effects caused by public and private research, extension, and farmers' schooling. Among the findings was that the social rate of return to public crop research is large -- about 62 percent.

Inquire about this study and request a copy of a report on its findings, "Supply and Demand Functions for Multi-product U.S. Cash Grain Farms: Biases Caused by Research and Other Policies," AJAE, 71(August 1989): 761-773, from Wallace E. Huffman, Department of Economics, Iowa State University, Ames, IA 50011.

Recreational Access Research Interest Group

This multi-state, multi-disciplinary group was formed to promote dialogue exchange information, and increase research efforts for promoting research on recreational access as an income opportunity for private rural landowners. It has a rural development focus and a strong policy element. It meets periodically with a recent meeting held in conjunction with the Southern Agricultural Scientists Association, February 1990.

Inquire about this ongoing multi-disciplinary effort from Dale Colyer, Agricultural Economics - WVU, P.O. Box 6108, Morgantown, WV 26506-6108.

Natural Resources Recreation, and Economic Development

A conference on Income Opportunities through Natural Resources Management was held in Wheeling, West Virginia April 9-12, 1989. Research and Extension programs are being developed as a follow-up to the conference. These involve managing natural resources by the private rural landowner to increase incomes and rural development through recreational activities and the production on non-traditional products and services. Preliminary plans are being made for a second conference in 1991.

Inquire about this policy activity from Anthony Ferrise, 2104 Agricultural Science Building, P.O. Box 6108, Morgantown, WV 26506-6108.

Rural Economic Development Initiative at CARD

Together with the Center for Policy Research at the National Governors' Association (CPR/NGA), the Center for Agricultural and Rural Development (CARD) at Iowa State University is implementing a project funded by the Kellogg Foundation to more effectively monitor rural economies and support improved rural development policy. Because available data are weak on economic and other conditions of small city and rural economies, non-traditional sources of data are being investigated at state and local levels.

Inquire about this project from Rich McHugh, Center for Agricultural and Rural Development, 578 Heady Hall, Iowa State University, Ames, IA 50011.

South Dakota Farmers Express Policy Opinions

A 1989 statewide survey was made among South Dakota farmers and ranchers about their opinions on agricultural policy issues. Selected findings include: most South Dakota producers favor a proposal to retain present commodity programs or to gradually eliminate commodity programs; most producers favor an increased Federal role in environmental programs related to soil conservation and water quality.

Inquire about this survey from Larry Janssen, Dept. of Economics, Box 504A, Scobey Hall, South Dakota State University, Brookings, SD 57007, and request his related report, Agriculture and Food Policy Decisions - a 1989 Perspective from South Dakota's Agricultural Producers, SDSU Econ Res Rep. 89-4, 9-89, from the Economics Library, Dept of Economics, Box 504A Scobey Hall, SDSU, Brookings, SD 57007.

How is the New Farm Bankruptcy Policy Working

Chapter 12 bankruptcy has been available to financially stressed family farms since November 1986. This is an empirical study that examines the major financial characteristics of Chapter 12 farm debtors and their creditors. Debt reduction and other characteristics of 101 reorganization plans in South Dakota are presented.
Inquire about this study from Larry Janssen, Dept of Economics, Box 504A, Scobey Hall, SDSU, Brookings, SD 57007, and request a copy of a related report, Characteristics of Chapter 12 Farm Reorganization Bankruptcy Filings and Approved Reorganization Plans, SDSU Ec Staff Pap 89-2, 6-89, from the Economics Library, Dept of Economics, Box 504A, Scobey Hall, SDSU, Brookings, SD 57007.

Groundwater Policy Education Project

A three year joint effort focused on groundwater policy education is underway through 1991, by the Cooperative Extension Services of PA, NY, NC, FL, IA, WI, CA, the Fresh Water Foundation of Navarre, MN, and the Soil and Water Conservation Society, Ankeny, IA. It is funded by the W.K. Kellogg Foundation in association with the Farm Foundation.

Inquire about this project from Charles W. Abdalla, Dept of Ag Economics and Rural

Sociology, 2 Weaver Building, Penn State University, University Park, PA 16802.

Nutrition and Health - A G. P. Survey

General practitioners (G.P.) are recognized as playing a key role in preventive medicine and health promotion. An original survey was made in this research to establish G.P.'s level of nutritional knowledge and their information and diet sheet needs in the United Kingdom. The replies from 124 G.P.'s (out of Bradford's 182 G.P.'s serving a population of 335,891) were analyzed.

Inquire about this research and request a related publication, Nutrition and Health - A G.P. Survey, February 1989 (may be a charge) from Jacqueline McCluney, Horton Publishing Limited, 6, Southbrook Terrace, Bradford, West Yorkshire, BD7 1AB.

Food Irradiation Update

This project involves a review of food irradiation in the context of: U.K. and E.C. legislation, technological implications; and consumer, retailer, and manufacturer attitudes.

Inquire about this research and request a related publication, Food Irradiation, April 1989 (may be a charge) from Helen Blackholly and Paul Thomas, Horton Publishing Limited, 6, Southbrook Terrace, Bradford, West Yorkshire, BD7 1AB.

CURRENT UNITED STATES ECONOMIC ENVIRONMENT FOR AGRICULTURAL AND FOOD POLICY DEVELOPMENT

Executive Summary

by Harry S. Baumes, Jr., USDA/ERS/ATAD
and R.G.F. Spitze, University of Illinois, Urbana

Complete paper presented to the National Agricultural and Food Policy Workshop, November 16-17, 1989, Washington, D.C., will soon be available in a Proceedings.

I. Introduction

1. An omnibus agricultural and food policy will likely be developed in 1990 to succeed the expiring Food Security Act of 1985. The economic environment which will influence this policy cycle differs from that which surrounded the previous policy debate and formation. The 1985 Act is credited, and with some sound basis, for helping to turn the agricultural sector around economically. Trends like eroding export markets, poor farm income, burgeoning stocks, and declining farm asset values have all been reversed since the 1985 Act was implemented.

2. The purpose of this paper is to put in perspective those factors that will influence the agricultural and food public policy formation process and to help sketch, along with another paper focused on the world environment, the economic background for several papers that follow.

3. This discussion will focus on the most recent two or three years as being of primary economic relevance, but some interesting comparisons will be made with the similar economic periods for previous Acts, and also with longer term post-war trends.

4. In order to understand the importance of the content of these different factors, the determinants of public agricultural and food policy should be reviewed. They are proposed as follows:

1) Present, existing policy. This provides a foundation where new or revised policy development begins.

2) Economic, political, and social situation, particularly he current situation and recent trends. Events which occur over the next six months have the potential to greatly influence the policy decisions.

3) The knowledge base of participant individuals and interest groups participating in the process.

4) Values and objectives of these participants.

5) Relative influence levels of these participants in the policy formation process.

II. Current Economic Situation – General Economy

1. The U.S. economy has experienced one of the longest post-war expansions in history. Real economic growth as measured by GNP has risen at a 4.1% annual average since 1982. However, this rate has slowed recently to less than 3.0%. Growth implies improvement in personal income, and subsequently, demand for food products, but with economic activity slowing, the stimulus for greater food demand is limited.

2. The Federal Reserve Bank in its efforts to prevent the economy from overheating allowed interest rates to rise. Since they bottomed out in 1986-87. Although rates are higher now than in the 1986-87 period, they are substantially below the levels that existed prior to the two previous Acts. As the 1985 Act was debated, three and six month T-bill rates ranged between 8 and 10%, and between 11 and 14% prior to the 1981 Act. Data for 1989 puts these rates at about 8%, and the recent reductions in the discount and the prime rate

indicate good news with respect to farm borrowing costs.

3. Agricultural trade is particularly sensitive to the exchange rate. While agricultural exports dropped from the 1981 high of $44 billion to $26 billion in 1986, the trade-weighted value of the dollar declined by about 3 1/2% for wheat and 22 1/2% for corn. Current trade-weighted dollar values for wheat are about 19% above, and corn about 9% below their 1980-81 levels. Concerted efforts on an international basis to stabilize currency fluctuations suggest that the dollar will be more stable than over the past decade.

4. Inflation, as measured by the implicit price deflator, has averaged approximately 3.0% per annum over 1986-88, compared to double digit levels prior to the 1981 Act and a modestly higher level prior to the 1985 Act. As the economy continues to grow and operating capacity is pressed, inflation will likely rise. However, any increase should be moderated as Government spending slows or declines to address the deficit and Gramm-Rudman-Hollings limits, and as the Federal Reserve adjusts interest rates.

5. The Federal budget deficit is an issue for agriculture and it is a dual edged sword. A slowing or decline in Federal spending inhibits growth in consumer income, thus affecting demand for agricultural goods. However, reducing the deficit should relieve pressure on real interest rates allowing them to fall and making it cheaper for the farmer to borrow.

III. Current Economic Situation – Agricultural and Food Sector

1. Supply Factors

1) Agricultural output in recent years have been affected by two primary factors, policies to idle land and the weather. The Acreage Reduction Program (ARP) has withheld an annual average of 53.3 million acres over 1986-88, which represents approximately 15% of the acreage planted to the principal crops in the recent high production year of 1981. The Conservation Reserve Program now has over 30 million acres enrolled. Since the level of government held grain inventories existing in 1984-85 has been reduced and total demand improved, ARP levels have been relaxed, allowing more land to be planted. A 5% ARP with provisions for planting above base for wheat and a 10% feed grains ARP have been announced for 1990.

2) Farm labor productivity has continued to out-pace that of the nonfarm business sector by at least two times, as farm labor is reduced and farm size expands.

3) Drought and adverse weather have affected crop yields in 1988 and again in 1989. Corn yields were reduced 30% and soybeans 20% in 1988, and the 1988 durum wheat crop was destroyed. Lack of moisture adversely affected the 1989 wheat crop again, and excessive rains affected production in the South. Growing conditions this coming growing season will directly impact policymaking as export programs and production controls are debated.

4) In the farm production process, both interest payments and the use of manufactured inputs have declined since 1981 and 1985. The drop in interest rates explains part of the rationale. Also, both the provisions of the 1985 Act to freeze program yields in an effort to disengage program benefits from production and the drop in loan rates to be competitive reduced the attractiveness of the use of manufactured inputs.

2. Demand Factors

1) Domestic population growth currently is about +.9% per year, very gradually declining over the decades, and providing an estimated +.7% additional stable and certain aggregate demand for domestic agricultural production.

2) Domestic real consumer income is currently increasing at +1.6% per year, the rate of increase slowing over the decades, and only providing an estimated essentially insignificant +.1% additional stable aggregate demand for domestic production.

3) Both agricultural exports and, particularly, net agricultural trade have been rebounding from the recent low in 1986, due to export subsidization, lowered dollar value, reduced price supports, and world-wide economic recovery. The effect of trade on demand can be better understood by focusing on constant value export data, on net agricultural trade, and on relating net trade to total domestic supply. Net trade is estimated to have bolstered aggregate demand for agricultural products in the last two years by about +3.6% per year, compared to a loss of about -2.2% annually in the previous years of the 1980s. Thus, trade is the other major demand factor, along with population growth. However, it is a volatile one, largely setting "boom and bust" agricultural conditions.

3. Impacts on Policy Variables of General Economic Conditions and Agricultural Forces

1) Farm product prices have strengthened in real terms annually in the past two years at +2.7%, while they fell in the periods preceding the 1981 and 1985 Acts. There has been only one five year period, 1970-75, over the past four decades when average real prices have risen.

2) Farm input prices have recently inched up at an annual rate of only +1% in real terms. This, combined with the above rise in farm product prices, contributed to the recent farm financial recovery.

3) Consumer food prices have also risen slowly, but they have not exhibited any declines as experienced by producers.

4) Farm family income has improved significantly in recent years due to growth in real net farm income and in off-farm income, coupled with continued substantial transfers to farmers via government payments. Net farm income remains highly skewed among all farmers, somewhat counter-balanced with off-farm income and slightly countered with government payments.

5) Farm assets and proprietors' equity have risen slowly in recent years, accompanied by a owering of the farm debt-to-asset ratio.

6) Government stocks have dropped by one-half in recent years from their historic high levels.

7) Treasury outlays for food programs have been flat in current, but declining in real, dollars. Outlays for farm price and income programs have fallen from the high of $25.8 billion to $13.9 billion. In both cases, they are less than 2% of the total federal budget, which is lower for farm programs and higher for food when compared to the decades of the 1950s and 1960s.

IV. Risks for Changes in this Environment for 1990 Policymaking

1. Major progress toward trade liberation at the GATT negotiations changes this policy environment in terms both of trade possibilities and of permissible intervention policies.

2. Major shocks in the coming policymaking year in either the export demand or the domestic agricultural supply situation also substantially change this economic environment for 1990 policy.

3. Recent events in Eastern Europe also possess the potential of having a major impact on upcoming agricultural and food policy debates.

WORLD FOOD PRODUCTION AND TRADE ENVIRONMENT

Executive Summary

by Michel Petit and Ashok Subramanian,
The World Bank

Complete paper presented at the National Agricultural and Food Policy Workshop, November 16-17, 1989, Washington, D.C., will soon be available in a Proceedings.

I. Many uncertainties characterize current and future global food supply.

1. Uncertainties in supply, investment and demand in the developing countries.

- Expected supply gaps in 2000 A.D., especially in Africa.

- Investment shortfalls in agriculture. Declining share of agriculture in external bilateral and multilateral assistance and in domestic budgets due to fiscal pressures and external debt.

- Gaps in demand due to inadequate incomes and hence low purchasing capacity.

2. Uncertainties in production and domestic agricultural policy in the developed economies.

- Year to year instability in food balances due to fluctuations in weather, international prices and domestic policies.

- Fluctuations in domestic policy due to budgetary problems and conflicting pressures for protection and trade liberalization.

- Impact on production and trade policy due to differences in the approach to domestic food production incentives and disincentives among the major exporters -- U.S., Canada, the European Community, the Cairns group.

II. Strengthening agriculture -- developing products, services and trade -- in developing countries is vital for dealing with supply deficits as well as for encouraging demand through faster income growth.

1. Importance of agriculture in the developing economies.

- Significant share of GDP and employment in the low income countries. Agricultural growth critical for industrial development.

2. The changed context of agriculture in the developing world in the 1990s and the need for a new strategy.

- Limitations to expansion of land, slower progress on new technology development and diffusion, need for new initiatives in environmental sustainability and poverty alleviation.

3. Strategies for augmenting productivity.

- Requirements in Africa, Asia and Latin America vary by region and country.

III. The implications for U.S. trade policy are that it is necessary to ensure progress at the GATT but it is equally important to ensure sound agricultural development in the developing world.

1. Trade policy reform is essential but the many uncertainties in world food production and demand make it difficult to clearly foresee extent of change in present conditions of international trade.

2. There is a movement toward gradual and cautious domestic policy reform among some exporters but considerable resistance in others.

3. GATT talks are crucial. Movement toward more open and transparent trade practices is necessary. But only incremental changes are likely given domestic politics and the structure of decision making in the exporting countries.

4. Important and fundamental questions in agricultural and rural development remain. Innovative strategies to deal with these questions have to be formulated if world food supply and demand are to accelerate and stabilize.

5. Technical and financial assistance to agriculture in developing countries will continue to be crucial. There are signs that agriculture's share of external assistance to developing countries may be slipping. Decline does not augur well for the design of a new strategy for coping with the supply and demand gaps and hence for a healthy trade in agricultural commodities.

FARM POLICY AND INCOME-ENHANCEMENT OPPORTUNITIES

Executive Summary

by Olan D. Forker, Cornell University

Complete paper presented at the National Agricultural and Food Policy Workshop, November 16-17, 1989, Washington, D.C., will soon be available in a Proceedings.

Of the many income-enhancement opportunities that exist, this paper focuses on value-added activities. Value-added activities can put more net income in the hands of farmers, small businesses, and rural communities. Value-added activities can also serve consumers more effectively. As a result, everyone benefits.

Value-added activities come in many forms. Some forms provide cost reductions in processing and distribution. Other forms add value to the commodity in the eyes of the buyer. Examples include completely new products, further processing, convenience, new product attributes such as a more pleasing taste or a more appealing color, more attractive packaging, microwavable products, and advertising that conveys new knowledge about a product to consumers. The 1988 Yearbook of Agriculture is a virtual encyclopedia of such successful value-added endeavors as chicken nuggets, turkey ham, natural fiber blends, and generic advertising.

In this paper, the five economic conditions that are necessary for the development of value-added activities are discussed: 1) there must be a potential market demand; 2) a reliable supply of the commodity must be available; 3) technology must be available; 4) human skills in the form of entrepreneurial and technical skills must be in existence; and 5) there must be an adequate supply of capital.

Many commentators believe that the future is bright for more value-added activities. One major reason is that more technology and knowledge are coming on stream that enable marketing firms to design foods that can be economically produced in small volumes for a large number of small market niches. Second, advances in communications and in marketing management skills enable processors, and marketing and promotion groups to convey information to consumers at a reasonable cost. Third, changes in the character of the consuming population provide numerous marketing opportunities.

In general, however, current U.S. farm programs discourage, rather than encourage, risk-taking in value-added activities. Their emphasis is on price enhancement and market stability of basic commodities, which reduces risk at the farm level and increases price to processors. This reduces the incentive to invest in new products or other value-added activities.

Six policy alternatives, each with potential for having a positive influence on value-added activities are discussed.

First, an increase in funding levels for research and education will, over the long run, provide the entrepreneurial skills and the technology that will be conducive to risk-taking and to the development of new products, diversified products, and alternative enterprises that will be desired by consumers.

Second, the development of small food-processing companies and the selection of higher-value products and enterprises will be facilitated by targeting some of the research and education funds. Directing some of these funds through state programs could be beneficial.

Third, a reformulation of farm price and income policies toward price floors and targeted direct-income payments would provide a more favorable environment for the risk-taking that is necessary for farmers to select higher-value, more-income-risk enterprises and for processors to invest in value-added activities associated with basic farm commodities.

Fourth, federally legislated check-off programs will provide farmers the ability to act as a group in the identification of their market's needs and in the promotion of their commodity products. All of the research and promotion activities authorized under these programs have the potential to expand demand and increase farmer income by increasing the value of the commodity in the eyes of the consumer.

Fifth, a reformulation of the standards of identity and the establishment of product labeling rules are called for so that processors and distributors can design products that consumers want, and so that consumers can know what they are buying.

Sixth, since most of the agriculture export volume of the U.S. is in the form of basic commodities, an investigation of value-added opportunities is justified. Some assistance in the form of market development and financing arrangements is appropriate.
I am very pleased that this topic was placed on the agenda for this conference. Too often farm legislation is passed without first properly addressing its implications with respect to the market and its impact on future demand. The policy to have federally legislated research and promotion check-off programs is a step in the right direction -- toward seriously considering the marketplace.

RURAL DEVELOPMENT: INCOME STRATEGIES FOR FARM AND NONFARM PEOPLE

Executive Summary

by Kenneth C. Deavers, USDA/ERS/ARED

Complete paper presented at the National Agricultural and Food Policy Workshop, November 16-17, 1989, Washington, D.C., will soon be available in a Proceedings.

The decline of the farm population in a rural population whose share of the U.S. population has remained around one-quarter for the past 30 years, means that most rural people now make their living from nonfarm activities. Thus rural income strategies need to address the problems and opportunities of the majority nonfarm population, not just farmers. The fact is, the economic well-being of most rural citizens does not depend on the prosperity of the farm sector. Even for most farm families, who now earn the majority of their income from nonfarm sources, it is the development of the broader rural economy that will determine how well they do in the future.

The real income position of farm households has improved dramatically. As a result, the farm poor now constitute only about two percent of the U.S. poverty population. Government programs have played a role in maintaining farm income, especially in the 1980s. But most of the improvement has come as a result of technological change that drove the exodus of nearly 18 million people from farming between 1945 and 1980, an exodus that continues today. Given a relatively constant-sized income pie, and declining farm numbers, remaining farmers are getting a bigger and bigger piece.

During the same period the economy of most small towns was transformed by the expansion of new off-farm employment opportunities, first in manufacturing (especially in the South) and more recently in services. As a result the economic viability and future development prospects of these small towns depends on their ability to compete successfully with urban areas for jobs in the growing sectors of the U.S. economy. Through most of the 1980s rural areas have not been competing very well, especially as measured by employment change, income level, and population retention.

Many factors contributed to the poor performance of the rural economy in the 1980s. But the following three: small scale and economic specialization, comparative advantage in declining industries, and effects of education and industrial structure, seem to be paramount.

Given the diversity of rural areas, and the uncertainty with which we see the future, prescribing the details of rural development policy is virtually impossible. Still, some general directions are clear.

1. Farm policy can contribute little to rural economic development.

2. The best rural development programs are likely to be those that seem most beneficial on other grounds as well. These include education, local leadership, self-development, and entrepreneurship.

3. Among infrastructure programs, improved transportation and communication are logical strategies, because they attempt to offset the disadvantage of rural remoteness.

THE FEDERAL BUDGET, THE PROCESS, THE PROBLEM, A PROGNOSIS

Executive Summary

by G. William Hoagland,
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Complete paper presented at the National Agricultural and Food Policy Workshop, November 16-17, 1989, Washington, D.C., will soon be available in a Proceedings.

No single issue has so dominated the political landscape of the 1980s as much as the issue of Federal fiscal policies, specifically the Federal budget deficit. The decade that began with high expectations of the new Reagan Administration to eliminate the then $80 billion Federal deficit in four years, has ended with the characterization of "the most fiscally irresponsible decade in American history."

Over the last 10 years Congress has enacted 9 major deficit reduction bills. Agriculture savings were included in 7 of these major bills. Despite these major bills, the Federal deficit for fiscal year 1989 remains above $150 billion, 3.0 percent of GNP.

A general sense of frustration will likely dominate the political environment in which the 1990 farm legislation will be drafted. The forecast of Federal deficits continuing to exceed statutory goals will add to the volatility of the debate. By contrast, current farm legislation is generally viewed with satisfaction. The resolution of these different political environs, combined with additional Federal constraints, will significantly determine the shape of the new farm bill.

The Process

The fiscal decision making process has come under intensive criticism in the past year. Cries for reforming the process are not new, modifications in the process are likely. How those reforms are implemented could materially affect the substance of legislative proposals both for agriculture and other sectors. Agriculture budget policy formulated throughout the 1980s benefited from drought-affected baseline changes, payment shifts, off-budget financing schemes, and noncash "nonbudget" PIK certificates. These types of policies have been viewed as contributing to the dissimulation and deception of the budget process.

The Problem

During the 1980s the Federal deficit averaged 4.1 percent of GNP. This contrasts with the thirty-five years following World War II when the deficit averaged less than one percent of GNP. Economists have been critical of these persistent deficits, arguing that they lower net national savings, and that to maintain current consumption and investment, higher foreign borrowing is required, resulting in a rise in the dollar and a drop in net exports.

While the Federal deficit clearly has economic consequences, consequences that directly affect agriculture with its dependence on capital investment and foreign exports, increasingly the solution to deficit spending is seen as a political issue not an economic one. The root of the problem is simply that Presidents and Congresses have lacked the courage to ask people either to pay for government services they receive or to be satisfied with a lower level of benefits.

The Prognosis

The new decade will begin with the second longest peacetime expansion on record. The agriculture sector will have just gone through the most serious economic transition since the 1930s. Deficit forecasts for the Federal budget will continue to remain high, particularly after adjusting for the perceived inappropriate inclusion of various trust fund surpluses in the budget.

While Commodity Credit Corporation farm program expenditures will continue to remain high by historical standards, they will nonetheless have declined from peak levels of the mid-1980s, in part from the policies of the 1985 farm bill.

Major defense spending programs will have declined from peak levels of the mid-1980s with negative real growth rates, and discretionary program spending will barely maintain the rate of inflation. Interest payments on an accumulated debt of nearly $3.0 trillion will continue to drain resources away from the Federal catalogue of government programs at a rate in excess of 11 percent per year.

With Federal deficit targets stretching to achieve balance in the budget by 1993, and more likely by the turn of the century (excluding the social security trust fund balances), deficit restraint will continue to dominate debate on Federal farm policies. As a consequence, international GATT negotiations will become a dominant factor in the domestic debate to reduce farm subsidies. Further, even with substantial revenue increases, spending restraint will still be required.

FEDERAL BUDGET IMPLICATIONS FOR 1990 AGRICULTURAL AND FOOD POLICY

Executive Summary

by Howard Conley,
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Complete paper presented to the National Agricultural and Food Policy Workshop, November 16-17, 1989, Washington, D.C., will soon be available in a Proceedings.

With improvements in the farm economy, the primary 1990 policy interests will focus on fine-tuning, rather than sector-wide economic issues. Farm commodity program spending has declined from a peak of $26 billion in fiscal 1986 and CBO now projects that commodity outlays will fall to $11 billion in fiscal 1991 and to $9 billion by fiscal 1994.

The budget pressures will intensify in 1990, however. CBO projects the deficit in fiscal 1991 to be $80 billion over the Gramm-Rudman-Hollings target. Many programs are excluded from negotiations because of legal obligation or political reality, leaving less than 40% of Federal spending to meet deficit reduction targets. Entitlements are asked for a large share of reductions and agriculture price support programs are the second largest eligible entitlement program after Medicare.

About three-quarters of the $13 billion USDA projects for fiscal 1992 CCC outlays will be spent for direct cash payments to producers. This means that the bulk of spending reduction in price support programs must come from producer transfer payments. Two approaches are available for reducing deficiency payments: raise market prices to reduce the payment rate per bushel, or reduce the statutory target prices, payment yield formula or available acreage on which deficiency payments are made.

Congress has resorted to deficiency payment reductions in recent years whenever it has been pressed to make real cuts in expenditures. One attraction to lowering the target prices is that it can be made in equal proportions for all commodities, thus maintaining a sense of equity between commodity programs.

Policy Issues

GATT. With European intransigence on removing market barriers, it seems that U.S. negotiators cannot give away U.S. tariffs and quotas. This leaves negotiators seeking reductions in competitor nations PSEs equivalent to that which the U.S. budget process will likely cause in U.S. policy.

BUDGET EXPOSURE. The Administration is concerned with the potential expenditures. This is based on the rapid reduction in loan rates, relative to the decline in target prices. Fiscal 1992 CCC expenditures would increase nearly $10 billion to $23 billion if prices fell all the way to loan rate levels. Reducing budget exposure is contradictory to the Congressional goal of protecting farm income. Budget exposure will be addressed indirectly in legislation. It is not an issue in the budget process.

PLANTING FLEXIBILITY. The crop base provisions of the 1985 farm bill, the criticism goes, have encouraged the production of commodities in surplus at the expense of commodities in short supply. While Congress has attempted minor policy corrections to address flexibility, no attempt has been made to address the underlying cause of relative target prices. Technological gains in productivity have favored corn and rice over other crops. Correcting this situation means a realignment of target prices that would demand the greatest outlay reduction from the corn program.

GOVERNMENT CONTROLLED STOCKS. The domestic and international use of generic commodity certificates has led to charges that the government is acting like a marketing board. USDA has continued its intervention in

the market for two reasons: (1) certificates have presented the only alternative to circumvent current price restrictions on CCC stock resale and FOR stock release, (2) USDA has been able to assert that EEP expenditures were cost-free and that domestic use of certificates were no more costly than cash transfers. If Congress changes the CCC resale price restrictions, and redrafts the FOR provisions, this could reduce spending through reduction in storage payments and increased receipts from stock dispersal.

CONSERVATION, ENVIRONMENT, GROUNDWATER. Principally non-commodity issues, legislation on this front will come at the expense of commodity programs. A program to rent an additional 10 million acres out of production for environmental objectives would cost $450 million the first year in establishment costs and $550 million each year thereafter in rental payments.

DISASTER ASSISTANCE/CROP INSURANCE. For four years, and in the face of existing subsidized Federal crop insurance, Congress has rushed to provide direct cash assistance to producers who have suffered crop losses from natural disaster. The justification for most of this spending was that the cost of assistance would be offset by declining costs of price support programs.

Both Congress and the Administration would like a resolution to annual disaster bills and crop insurance. Whatever is adopted must cost no more than the $530 million projected for fiscal 1991 crop insurance outlays, without reductions in other programs.

Policy Options

TRIPLE BASE. This plan creates a "third" base out of permitted planting acreage but does not provide any deficiency payments. The triple base plan attempts to reduce deficiency payments and at the same time allow acreage that was forced into specified program crop production to be planted into more a profitable, unsubsidized crop, a shift from corn to soybeans, for example.

There are questions over implementation that raise other policy issues, however. How would ARPs be set with triple base plan? A triple base program could reduce commodity program spending $.9 to 6 billion over four years, depending on ARP levels and price objectives. How would the level of unpaid base be set? If all the crops are paid on the same percentage of permitted plantings, then target price distortions between commodities go unaddressed. What crops could be planted to this unpaid acreage? There are producers of non-program crops that would claim that income transfers on payment acres will unfairly subsidize the production of non-program crops.

NORMAL CROP ACREAGE. The NCA allows producers to shift acreage from one crop to another so long as planted acreage on the farm meets announced acreage reduction requirements. Unrestricted flexibility of planting would likely increase outlays as land would be placed in the most highly subsidized crops. The NCA allocation factor provides for a reduction in the deficiency payment rate based on the degree to which the national program acreage for any crop, sufficient to provide for estimated annual use, exceeded the actual national planted acreage.

CONSERVATION RESERVE MORATORIUM. A moratorium on the additional enrollments of land in the CRP could provide the opportunity to accommodate pressures to address the environmental issues raised earlier. Congress could then review the 9-8 million acres that have yet to be enrolled for qualities other than just erosion. It might be possible to make the additional CRP land do "double duty", thus achieving environmental objectives with minimal additional cost. The annual cost of renting additional acreage out of production to meet environmental criteria on 10 million acres could be $550 million.

The need to reduce the Federal budget deficit will not only determine the level of government transfers to farm income, it will also influence significantly which adjustments will be sought to the 1985 Act that are suitable to keep U.S. agriculture competitive and responsive to changing economic conditions.

AGRICULTURE AND WATER QUALITY: A POLICY DILEMMA

Executive Summary

by Katherine H. Reichelderfer, USDA/ERS/RTD

Complete paper presented at the National Agricultural and Food Policy Workshop, November 16-17, 1989, Washington, D.C., will soon be available in a Proceedings.

Water quality policy affecting agriculture is likely to be made in the absence of complete information on the magnitude of benefits and costs associated with current agricultural practices in relation to water quality.

Current, national water quality policy is mainly defined outside of the agricultural arena and largely relies on States' actions to meet national guidelines. Although USDA has a variety of water quality research, technology development, education, and technical assistance programs, national policy on water quality is administered primarily by EPA under legislative authority arising from nonagricultural committees of Congress. Principal water quality policies with potential implications for agriculture are defined by the Safe Drinking Water Act and the Clean Water Act, both of which are administered by EPA, delegate responsibility for water quality program development to States, authorize or direct the establishment of water quality standards, and can be used to withhold or provide Federal funds for activities shown to affect water quality. Other EPA programs related to the regulation of hazardous wastes, toxic substances, and pesticides also take water quality concerns into account and can affect agricultural activities.

States have become particularly active in proposing and implementing nonpoint source water quality programs, both in response to EPA requirements, and through independent action. State-level programs employ policy approaches that range from providing positive incentives for change in agricultural practices presumed to adversely affect water quality, to imposing liability or penalties for agricultural activities shown to degrade water quality. An advantage of State control of water quality policy is that it can more easily accommodate local concerns and site-specific variation in the nature of the problem than can uniformly applied national policy. On the other hand, policy inconsistency from State to State creates problems for agricultural input suppliers, raises questions of equity within the agricultural sector, and increases pressure for uniform direction at the national level.

It is under conditions of uncertainty about the actual nature, magnitude, and extent of agriculture's effect on water quality that concerns that agricultural interests are not well served by current policy are being weighed against concerns that agricultural sources of water pollution are not well targeted by current policy. The major public concern driving water quality policy is the fear and resentment of unwitting exposure to unavoidable health risks posed by the presence of agrichemicals in drinking water. That we lack good understanding of the absolute and relative risks posed by an as yet unquantified incidence and distribution of exposure to nitrates and pesticides in drinking water is of no consolation and little consequence to those concerned. Lack of knowledge concerning the sources of agrichemicals detected in ground water, and the physical, behavioral, and economic relationships dictating water contamination by agrichemicals, will not forestall policy decisions directed at suspected agricultural sources. It does mean that policy decisions will be made without the benefit of good, ex-ante information on the economic tradeoffs involved. This uncertainty raises the stakes for the agricultural community's direct participation in the water quality policy process.

That there will be address of water quality in the farm bills of the 1990s is fairly certain. In lieu of information on the benefits of potential actions, the issue at hand is the question of who will pay for new water quality programs.

A wide range of policy and program options are emerging in preparation for the 1990 farm bill.

- **Focused Research, Education, and Technical Assistance.** Recognizes the value of information to policy makers, program administrators and farmers, as each makes decisions affecting water quality. Earmarking or redirecting funds for specific water quality research and extension activities represents taxpayers' investment in information that will lead to some unknown degree of voluntary change in future farm practices.

- **Targeted Acreage Reduction.** Expanding or modifying the current Conservation Reserve Program to target 10 million acres of cropland overlying or draining into vulnerable water systems would require a long-term transfer of $8-10 billion from the public coffers to agricultural landowners. As long as annual set-asides were adjusted to compensate for reduced acreage, no near-term agricultural production or price impacts would be expected. But, if export demand for U.S. agricultural goods expands in future, domestic producers and foreign consumers will share in the cost of any reduced production flexibility that arises from retirement of cropland for water quality protection.

- **Cross Compliance with Farm Program Eligibility.** Requiring farmers to adopt specific well head protection or agricultural production practices in order to remain eligible for commodity, credit, and related farm programs imposes consistency across otherwise conflicting policy priorities. Depending entirely upon the market conditions defining the attractiveness of farm program benefits, compliance options could: shift some costs of water quality protection to farm program participants, their input suppliers, and consumers of their output; increase slippage in the performance of commodity programs; or have absolutely no effect of behavior. In any case, monitoring and enforcement could represent a substantial public cost.

- **Removing Market Distortions.** It is hypothesized that changes ranging from increased flexibility of commodity program base acreage use, to complete phase-out of production-based commodity programs, could, by increasing the efficiency of production, reduce the environmental threat of production at a net gain to taxpayers. To the extent that gross changes would reduce sectoral excess capacity, some farmers would be displaced, agribusiness revenues would drop, and price volatility could increase. Success of more marginal changes, like base flexibility, in eliciting behavior change depends upon market conditions and the specific rules dictating use of base.

- **Adding Market Incentives.** Input taxation or soil erosion fees could internalize the cost of suspected water quality damage into the agricultural sector, but information gaps preclude precise equation of marginal benefits with marginal costs for such actions. Tax rates sufficient to elicit significant reduction in agrichemical use would increase commodity costs of production and prices, and decrease agricultural export revenues while raising general tax revenues.

- **Insurance Schemes.** This inefficient and unnecessarily complex approach to compensating farmers for the yield risk of adopting low input production systems would have indeterminate effects on water quality, hinder incentives to adopt yield enhancing substitutes for agrichemicals, create long term entitlements, and, if subsidized premium costs were low enough to attract participants, could have the highest public price tag of any proposed option.

In the near term, and for the 1990 farm bill, policy options are likely limited to these nonregulatory approaches. Should such actions fail to materialize, or fail upon implementation to achieve tangible results, new regulatory approaches will be increasingly likely in the future. The cost of regulations that dictate or restrict production practices are distributed unevenly among farmers -- those most reliant on restricted practices are most heavily affected -- and borne by all participants in the agricultural sector, from upstream agribusinesses through final consumers.

SUSTAINABLE AGRICULTURE: PROSPECTS FOR THE 1990 FARM BILL

Executive Summary

by David Dyer, American Farmland Trust

Complete paper presented at the National Agricultural and Food Policy Workshop, November 16-17, 1989, Washington, D.C., will soon be available in a Proceedings.

Introduction

Sustainability is one of the components of food security, providing the time dimension to one Federal policy goal, that of ensuring adequate supplies of food and fiber. Sustainable agricultural production is generally composed of three elements: environmental sustainability, economic sustainability, and social stability. The first of the elements is the core reason for attempts to change prevailing agricultural production techniques.

Next year Congress will replace the Food Security Act of 1985 with new provisions that will greatly influence many facets of agricultural production. This article examines the potential changes to current law that are related to sustainable agricultural concepts. The article begins with a brief discussion of "sustainable" agriculture, continues with a description of key issues that are likely to influence the debate, emphasizing the environmental and conservation concerns. The article concludes with a discussion of potential new farm bill provisions that could promote sustainable agricultural practices.

The Setting for 1990: Key Issues

Certain key areas of public concern are identified as important influences in next year's public policy debate. Four issues are of particular note: budget limitations, ongoing trade negotiations under GATT, food security concerns, and concern about environmental degradation.

Budget limitations could be the single greatest constraint on establishing creative conservation programs.

Trade considerations articulated in the GATT negotiations are unlikely to exert any direct influence on the conservation provisions of the bill but will influence the terms of commodity programs. The attractiveness of those programs for farmers will strengthen or weaken conservation compliance as an enforcement tool.

Food security is a term that describes adequate, safe food available in time and place to all consumers, regardless of income. Food safety has unexpectedly become an issue for 1990.

Improving environmental quality will be a key legislative objective in the coming years; the farm bill will be one bill affected by environmental concerns. Not all environmental initiatives will come from the non-farm population. Especially in rural areas, concern about the safety of well water has spurred interest in a wide variety of water clean-up strategies.

Sustainability: Influences on the Farm Bill

THE FEDERAL BUDGET. The continued emphasis on reducing Federal outlays will put severe limits on the use incentive programs. Observers who are hopeful of using incentives to induce a shift to sustainable agricultural practices will likely be disappointed.

TRADE TALKS. Directly, trade talks should establish uniform international standards for pesticide residues or the use of certain agricultural chemicals for the production of farm goods or their storage.

FOOD SECURITY. Acute consumer awareness of extensive chemical use will penalize producers who are unwilling or unable to change production practices to less chemical intensive techniques.

ENVIRONMENTAL QUALITY. Improving water quality will be top priority. At a minimum, the bill will add a great deal more research and educational effort to farm-based environmental problems. There will also be a strong push to limit use of fertilizers and chemicals. Many people look at an expansion of the Conservation Reserve to include land that will contribute to improving or protecting water quality.

Conclusion

In the past, farm legislation has blossomed from a varied collection of rural concerns -- maintaining farm income or boosting export sales, for example. Today, farm policy changes are generated from larger contemporary social concerns. Over time, one can discern a vague trend toward an integration of farm/rural issues into a general socioeconomic context. This trend can be seen in a succession of farm bills that gradually change eligibility for farm program benefits from entitlements to payments conditioned upon performance. The last step, in 1985, made farm program eligibility conditional upon use of sound conservation practices. The next step is almost certainly a further conditioning, based on a broader set of environmental concerns that will potentially be manifested in provisions requiring sustainable production practices.

FOOD SAFETY AND PUBLIC POLICY: WHAT CAN ECONOMISTS CONTRIBUTE?

Executive Summary

by Carol S. Kramer,
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Resources for the Future

Complete paper presented at the National Agricultural and Food Policy Workshop, November 16-17, 1989, Washington, D.C., will soon be available in a Proceedings.

I. Abstract: This paper examines food safety, public policy, and some contributions that economists can make in improving both. Major recent food safety cases and proposed legislation are reviewed. Six distinguishing characteristics and dilemmas of current U.S. food safety policy problems are discussed along with past and still needed contributions from economists.

II. Public Policy Problems and Issues Concerning Food Safety

1. Introductory examination of recent food safety cases
   a. daminozide (alar) in apples
   b. tainted Chilean Grapes
   c. seafood safety
   d. poultry and salmonella
   e. listeria in dairy, vegetable products
   f. hormone/animal drug use in livestock
   g. aflatoxin in peanuts, corn
   h. "tropical" oils, saturated fats

2. Presentation of a taxonomy of food safety policy instruments and a matrix of 16 food safety bills, 1989 legislative session, as indication of legislative interest in food safety: seafood safety (3), pesticide law and regulation (4), poultry inspection (1), alar (2), aflatoxin (1), nutrition claims or labeling (3), standardize "organic" (1), encourage "low impact" agricultural production (1).

III. Discussion of six critical aspects of food safety policy problems and major contributions of economic research and analysis:

1. Existence of major, dynamic uncertainty regarding the presence and distribution of food safety hazards, their risks to public health, and the impact and cost-effectiveness of different policy approaches to risk reduction. Discussion. Economic contributions include methodologies and analysis relevant to research planning; to public policy and program evaluation; to understanding decision-making of economic, agency, and political agents under uncertainty.

2. A significant dichotomy exists between food safety concerns of consumers and experts. Discussion. Economic theories of information acquisition, use, and human capital can contribute to understanding differences between consumers and experts, also between consumers. Information important to design of mechanisms to reduce information costs to different consumers, expand information sought by experts. Economic methodologies also help distinguish attributes/characteristics of goods most valued by consumers, including risk characteristics.

3. Food safety involves imperfect and asymmetrically held market information. Consumers at disadvantage, senses fail in detecting safety problems. "The results of recent research on markets in which consumers have limited information are startling and contradict the strongest conclusions from the standard economic models based on perfect consumer information. In markets in which consumers have limited information, high-quality products may not be supplied, some of the desirable effects of perfect competition vanish, and firms may have an incentive to reduce consumers' information" (Carlton and Perloff, 1989, p. 17). Economic contributions are to understanding market outcomes under alternative property rights and rules, and to

assessing alternative forms and methods for supplying consumer information.

4. Food safety policy problems involve significant external effects from individual actions. These include costs of illness and treatment, foregone work, costs associated with averting behavior, loss of leisure, and so on. Economists can assist in identification and evaluation of the costs and benefits associated with food production, processing, distribution, and preparation practices.

5. Food safety problems involve the need to economize on resources, adopt risk management strategies. Discussion. Economists can contribute framework for identifying point at which problem occurs and factors leading to occurrence, identifying both positive and negative external effects caused by the agricultural or processing practice, identify alternative policies and policy instruments for improving outcomes, analyze costs, benefits, risks, relative cost-effectiveness of alternative policies.

6. Food safety policy problems involve the need for social judgments as to what constitutes acceptable risk. Discussion. Economic analysis furnishes one input among many. However, economic analysis can illustrate trade-offs and provides a framework for integrating other disciplinary inputs.

FOOD QUALITY AND PRICES

Executive Summary

by Jean Kinsey,
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Complete paper presented at the National Agricultural and Food Policy Workshop, November 16-17, 1989, Washington, D.C., will soon be available in a Proceedings.

I. Current Public Policy Related to Food Quality

The quality and safety of food in the United States has historically been high, but confidence in its safety is slipping. Consumer's increased fears stem largely from outrage at involuntary exposure to new and unknown hazards. Governments' role in providing safe and high quality food has traditionally been to protect consumers against products that cause illness or death and to inform consumers about product characteristics. During an era of "deregulation" with cutbacks on agency funds for protective activities, the safety and efficacy of the food supply has become increasingly suspect. Adding to the confusion are inconsistent safety standards across Federal agencies and, more recently, across state lines. This year there are over 25 House bills and 8 Senate bills that have been introduced to increase the monitoring of food and nutrition and/or to facilitate informed safe food choices. To facilitate better health, revised and quantitative dietary guidelines are being called for.

II. Problems and Issues Concerning Food Quality

Food quality is a continuum of characteristics ranging from the vary negative, such as unsafe food, to the highly positive, such as taste and status. In between are a variety of quality characteristics that make food hazardous or desirable. This is illustrated in Figure 1. The price of various food quality characteristics is not measured only by the retail cost of food. The price of negative characteristics is measured by the costs of medical care, lost productivity, premature death and lost sales. The costs that could be saved from eliminating 16 common bacterial pathogens in food is estimated to be about $5 billion per year (Roberts).

The appropriate role of government policy in dealing with food quality characteristics moves along the continuum from protection against harm at the negative end, towards information that facilitates free choice at the other end. This follows because the most negative characteristics are public goods (bads); consumers cannot detect them and therefore, cannot choose to avoid them. Most positive quality characteristics can be easily known and regulated by informed private choice. Some quality characteristics in the middle can be moved into the private market if consumers are well informed about both the characteristics and the consequences of consumption. Both negative and positive characteristics such as pesticide residues, food additives ingredients, nutrition and diet can fall into this category of quasi-public, quasi-private goods.

III. Alternatives for U.S. Public Policy - Dietary Guidelines

High quality diets are a cumulative result of consuming high quality food. Dietary goals complete with quantitative recommendations were proposed in 1977 but never officially administered by the USDA (U.S. Senate, 1977). Qualitative dietary goals were published, in part, as a strategy to cushion the downsizing of demand for agricultural commodities high in animal fats and sugars. Meanwhile, other organizations have vigorously publicized numerical dietary guidelines leaving the USDA in a weak position to lead or educate consumers about high quality diets.

A policy question before us is whether or not the USDA should adopt and promote quantitative Dietary Guidelines. In order to learn what the economic impact of widespread adoption of the old 1977 Dietary Goals would

have meant for farmers and consumers, a counterfactual analysis was conducted with the help of the FAPSIM (Salathe) econometric simulation model at USDA (Kinsey, Price, Hickenbotham). The impact on farm and food prices and farm income was analyzed under a scenario where all U.S. consumers would have adopted a diet that followed the dietary goals between 1981 and 1985. The results of such a shift in eating patterns is summarized below.

A. Consequences for Producers

Following dietary goals strictly would have lead to a decrease in the consumption of fat, sugar and sodium. If all Americans had strictly adopted such a diet between 1981 and 1985, the domestic demand for red meats would have decreased 8%; eggs, 23%; cheese, 15%; sugar, 27%; fats and oils, 38% and nuts 27%. The demand for poultry would have increased 5%; fish, 9%; yogurt, 9% vegetables, 14%; rice, 60%; wheat, 50% and lentils, 108%.

Farm income would have increased for wheat farmers by 17%, for rice farmers by 31%, for broiler and turkey producers by about 11%.

The income of egg and pork producers would have declined by 51% and 38%, respectively. Corn and soybean and beef producers would have seem small decreases in income: 3%, 11% and 6% respectively. The dairy sector was largely unaffected due to government price supports.

B. Consequences for Taxpayers

Net government costs for grain and dairy producers would have increased by 6.3% by 1985. A decline in deficiency payments would have been offset by increased grain storage payments and the purchase of surplus dairy products.

C. Consequences for Consumers

Retail food prices would have declined about 1.7%. The average household would have spent $54 less per year on food for a national savings of $4.65 billion.

IV. Further Policy Consideration

Ensuring a safe food supply and providing the public with accurate and credible information about the connections between diet and health pays off in healthier, more productive people. It also increases consumers' confidence in public decision makers. Healthy diets can help promote a healthy economy.

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SUMMARY OF POLICY MODEL RESULTS FOR 1990 FARM BILL OPTIONS

Executive Summary

by Daryll E. Ray, Oklahoma State University
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Complete paper presented at the National Agricultural and Food Policy Workshop, November 16-17, 1989, Washington, D.C., will soon be available in a Proceedings.

I. Introduction

A. Paper reviews analytical results of policy studies.

1. Constrained by particular options evaluated in recent years.

B. Policy Studies/Options reviewed focus on:

1. Continuation of 1985 Act.
2. Elimination of current programs in U.S. and abroad.
3. Decoupled Income Payments.
4. Grain Reserves.
5. Increased Flexibility of Acreage Reduction Programs.
6. Impact of Environmental Programs on Agricultural Performance.

II. Continuation of the 1985 Act

A. Studies by Congressional Budget Office (CBO) and the Food and Agricultural Policy Research Institute (FAPRI); 1990-94 time frame.

B. Assumptions

1. Target prices held at 1990 levels.
2. Macroeconomic assumptions comparable with moderate growth and relative stability.
3. Loan rates follow rules of 1985 Act; FAPRI assumed higher land diversions.

C. Results

1. Commodity Impacts

(a) Wheat production rises, prices fall from highs of 1990 (crop year), exports fall from high levels of 1987 and recover after 1992.

(b) Corn acreage and production increase, prices remain between $2.00 and $2.20 per bushel for the next five years, CBO prices are 5 to 10 cents lower than FAPRI.

(c) After increasing in 1989, soybean acreage decreases in subsequent years, prices in $5 to $6 range, FAPRI estimates are about 50 cents higher in later years.

(d) Cotton outlook is relatively static, prices range from 58 to 64 cents per pound.

2. Sector Aggregates

(a) Combined planted and idled near recent levels, CBO shows less planted acreage due to 5 million acre less in CRP than FAPRI.

(b) CCC outlays decrease in both studies, begin at $11 billion and decline from there: by about $4 billion over 2 years for FAPRI and by $2 billion for CBO.

(c) FAPRI shows net returns to corn producers decline slightly over the projection period, wheat net returns are stable, soybean returns vary substantially, cotton net returns decline.

III. Elimination of U.S. Programs

A. Model results reported from FAPRI, POLYSIM and NAC/BLS models.

B. Assumes phasing out of U.S. commodity programs over the 1989 to 1991 period; CRP remains in effect; analysis period 1989 to 1996 or 2000.

C. Results

1. Idled acreage is down, planted acreage is up, total planted and idled (CRP) declines.
2. Crop production increases, prices decline.

3. Livestock production increases due to lower feed prices; livestock prices decline in all models by an average of 7.8 to 12.8 percent.

4. Crop and livestock receipts decrease from 8 to 12 billion dollars, government payments are typically down by about $3 billion; production expenses are somewhat lower but net income drops by 8 to 10 billion dollars.

IV. Elimination of U.S. and Foreign Commodity Programs

A. Model results reported from FAPRI and NAC/BLS

B. Assumes U.S. and foreign commodity programs are phased out over the 1989 to 1991 period; CRP remains in effect; analysis period 1989 to 2000.

C. Results

1. Compared to unilateral case, planted acreage was generally higher due to higher world commodity prices.

2. In short to medium term both crop and livestock prices increase by 3 to 17 percent, export volume and value increase since price increases are export driven; longer term livestock prices, livestock receipts and total net income decline.

3. Program crop farmers could be compensated by savings in government outlays; losses are experienced by non-program crops and livestock.

V. Decoupling

A. Studies by Wharton Economics and Phipps, Rossmiller and Meyers.

B. Basically unilateral free markets with cash transition payments which taper to zero in 5 years.

C. Results

1. Crop prices drop dramatically in early years and then partially recover; export and domestic crop demands increase but by less than price; crop receipts and export values are lower; livestock price reductions are nearly proportional to crops.

2. Consumer price index for food drops 3-5 percent; .5 percent lower inflation.

3. Lower government payments and reduction in Federal deficit by over $10 billion.

4. Increased volatility of producer and consumer prices.

5. Adjustment problems would be large for sugar, dairy, rice and wool sectors with less adjustment for wheat, feed grains and soybean sectors. Differential effects on input suppliers and rural communities.

VI. Grain Reserves

A. Studies by NC-169 Meyers editor and by Glauber, Helmberger and Miranda.

B. Evaluation of Farmer-Owned Reserve Program and comparison of storage subsidy to alternative means of stabilizing producer prices.

C. Results

1. The FOR provides some stabilization but also raised prices and government costs.

2. The FOR was too rigid in setting price bands and too susceptible to political pressures.

3. A simple storage subsidy is more cost-effective than buffer stocks and deficiency payments and does not require specific stabilization price band.

VII. Flexible Base Approaches

A. Current programs constrain farmers to program crops or loss current/future benefits.

B. Crop plantings have become more inflexible with each farm Act since 1971.

1. With 1971 Act direct payments based on normal crop production but need not plant to receive payments; could plant nonprogram crops and still maintain base.

2. 1977 Act used normal crop acreage and introduced set-aside as percent of planted acreage; farmer could plant any mix of crops and maintain base but payments paid only on planted acreage of the target price crop.

3. 1981 Act reinstituted crop-specific bases; payments required planting to target

price crop; to maintain base must plant crop or specified nonprogram crops such as soybeans.

4. 1985 Act -- no flexibility.

C. Selected Options to address planting flexibility by FAPRI; 1990 to 1992 time frame.

1. Triple Base
2. 80-Percent Deficiency Program

VIII. Triple Base

A. Farmer's crop base acreage divided into three parts (10/15/75): percent diverted (10), percent that can be used to grow anything (15) and percent planted to target program crop (75); no deficiency payment on 15 percent as well as acreage diverted.

B. Expect lower participation, change in mix of crops, lower government payments, higher market returns on program crops and reduced prices for substitute crops.

C. Assume wheat 5/20/75 and corn 10/15/75.

D. Results

1. Slight shift in acreage; soybean acreage up 1 percent the first year mostly from corn, then about at baseline levels.

2. Farmers lose $1.5 billion in net returns, mostly due to reduced government payments; total government outlays decline by $1.8 billion in first year with nearly similar results for second year.

IX. 80-Percent Deficiency Payment Program

A. Designed to increase crop planting flexibility and to reduce budget costs.

B. Description

1. With no acreage reduction program, farmer would receive payment on 80 percent of base but farmer could plant any crop on the 20 percent.

2. With ARP of say 10 percent, 10 of each 100 acres idled, deficiency payments on .80 x 90 or 72 acres, plant anything on remaining 18.

C. Expect prices to drive crop selection on unrestricted acreage, lower government outlays, less participation; same directional impact on acreages and farm income as triple base.

D. Assume target prices, ARPs and all other policy instruments unchanged from extension of 1985 Act.

E. Results

1. Acreages switch from primarily corn and wheat to soybeans and oats and later back to baseline, program crop prices rise and prices of soybeans and oats decrease.

2. Total crop returns down by 8 percent the first year and by 6 percent in the third and fourth years; farm income reductions about equal to $2 billion savings in Federal outlays.

3. Knutson found representative Texas farms to be consistently worse off with this program than under extension of 1985 Act.

4. McCormick and Algozin found increased base flexibility (however achieved) would ease groundwater contamination.

X. Impact of Environmental Provisions

A. Few Studies

1. Little data available on economic linkages among environmental policies and agricultural performance;

2. But linkages among programs themselves are often legislated and further compliance strategies are legislative possibilities; incentive to participate can be less related to environmental problems of farm than external factors.

B. Sander, Dicks and Ray Study, 1986 to 1990 time frame.

1. Assumes CRP not implemented and all other policies left unchanged.

2. 8 to 10 percent increase in grain prices over the 1986 to 1990 period due to CRP.

3. Net farm income increases due to CRP ranged from slight to 10 percent over period; deficiency payments were down very little in early years to nearly 25 in drought affected later years.

4. Input sector was down 2.4 percent due to CRP; processing sector down very little; total gross output affected significantly in local areas but little nationally.

C. Barbarika and Langley Study, 1986 to 2000 time frame.

1. Wheat and corn prices increase 2 to 3 percent over 15 year period and net returns to those crops increase 2 to 4 percent; impact on soybeans averages the largest: 9 percent price increase and 14 percent increase in net returns.

2. Total government outlays -- direct payments and CCC operations -- higher by 14 percent over 15 years with CRP.

(a) Reduced commodity program savings in later years.

(b) Substantial enrollment in nonprogram and minor crops; no offsetting CCC savings.

DOMESTIC FOOD PROGRAMS: ISSUES AND ALTERNATIVES

Executive Summary

by Joyce E. Allen, Joint Center for Political Studies
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Complete paper presented at the National Agricultural and Food Policy Workshop, November 16-17, 1989, Washington, D.C., will soon be available in a Proceedings.

The food assistance programs evolved from policies initiated in the 1930s to stabilize and support farm prices. During the early postwar period, food assistance was basically limited to commodity distribution to the needy and the provision of surplus commodities to school lunch programs. Beginning in the 1960s, numerous changes occurred in food assistance policy which shifted the emphasis from support of farm prices to providing participants with the opportunity to obtain a more nutritious diet. Moreover, the Food Stamp Program became an integral part of this country's multiple transfer system that provides a minimum "safety net" for the poor.

Current Domestic Food Policies and Issues

The Food Stamp Program is perhaps the single most important domestic food program. In fiscal 1988, it accounted for approximately 58 percent of USDA expenditures for domestic food assistance. Eligibility is based on household income, assets, and work registration requirements. Benefits are determined by the cost of USDA's Thrifty Food Plan, household size, and net monthly income.[1] Since the Food Stamp Program represents a substantial transfer from taxpayers to participants, an overriding issue is whether it is effective in meeting program objectives. Other important issues include the asset limit for eligibility, the appropriate benefit levels, and the form in which benefits are distributed (coupons versus cash).[2]

Under the Child Nutrition Programs, USDA assists state and local governments in providing meals to children in schools, child care centers, and summer recreation programs. The National School Lunch Program accounts for about three-fourths of the expenditures for the Child Nutrition Programs. Concerns about this program tend to revolve around its effectiveness, the subsidy that it provides to children from middle and upper income families, and the amount of fat in school lunches. Whereas 87 percent of children had access to the lunch program in fiscal 1988, only 37 percent had access to the breakfast program. For some analysts, availability of the breakfast program and the school breakfast meal pattern are areas of concern.

Under the Special Supplemental Food Program for Women, Infants, and Children (WIC), participants received vouchers which can be redeemed for specified foods at retail stores. However, the level of expenditures authorized for the program does not permit all eligible persons to particpate. Local agencies maintain priority levels for eligible persons once their maximum participation level is reached. While this procedure assures that persons at greatest nutritional risk receive first priority, others who are also at risk are denied benefits. Not surprisingly, funding for WIC has become an important issue.

Food Programs Alternatives in the 1990s

Three alternatives in setting food program policy are maintaining the status quo, making some incremental changes (or fine-tuning the various programs), and major revisions in the direction of food assistance policy. Undoubtedly, the budget deficit will influence any decision that is made regarding food programs alternatives.

Incremental changes for the Food Stamp Program could include raising the asset limit so that the temporary (i.e., new poor) would be eligible for the program and revising the benefit level (i.e., the Thrifty Food Plan) to reflect household composition, and interregional as well as intraregional (urban versus rural) differences in the costs of food. Further, questions have been raised regarding the assumptions used in developing the Thrifty

Food Plan. Since the plan was developed based on a given cost level, the level could be changed by Congress.

Some economists have argued that the food programs could be viewed as investments in human capital. If this argument is accepted, then some expansion in the programs that are designed to provide benefits to infants, children, and pregnant women could be justified. For example, fine tuning of the Child Nutrition Programs could include changing the mix of foods donated to schools in order to reduce the amount of fat and sodium in school lunches, revising the meal pattern for the breakfast program to make it more responsive to the nutritional needs of the target population, and gradually expanding this program to additional schools that serve a disproportionate number of children from poor families. Also, the WIC program could be expanded so that all eligible persons who desire to participate would be afforded that opportunity.

Two major policy alternatives for the food programs are food assistance block grants and cash in lieu of food stamps. Under a block grant approach, states would have the responsibility for designing their own food programs and would receive some funds from the federal government to help defray program costs. Since each state would be free to design its own food program under a block grant approach, the consequences of such a policy cannot be readily determined.

There are many arguments for and against cashing out the Food Stamp Program. Supporters point to administrative savings that could be obtained and indicate that recipients would generally prefer cash over food stamps because they would be able to spend the cash according to their own preferences, thereby maximizing their satisfaction. Critics of a cashing out the Food Stamp Program tend to emphasize that the donors' preferences are important and that the donors favor in-kind assistance versus cash assistance. Further, the empirical literature is not conclusive regarding the impact of cash versus stamps on food expenditures and nutrition. Moreover, if food stamps were cashed out the program would no longer have any direct ties to food consumption and its income supplementation features would be increased. Additional research is needed to assess the effects of a cash out on the agricultural sector.

The history of the food programs and current political realities suggest that incremental changes will be made in the programs over the next few years. It is unlikely that the Food Stamp Program will be cashed out when new food and agricultural legislation is authorized. Thus, cash in lieu of food stamps is likely to be an issue for many years.

Footnotes

[1]Recent legislation raised the maximum benefit level to 100.65 percent of the Thrifty Food Plan in fiscal 1989, 102.05 percent for fiscal 1990 and 103 percent for fiscal 1991 and thereafter.

[2]The Food Stamp Program has been cashed out for some populations (e.g., elderly persons and/or Supplemental Security Income (SSI) recipients in selected areas). Furthermore, in fiscal 1982, a block grant program replaced the Food Stamp Program in the Commonwealth of Puerto Rico. With this grant, Puerto Rico established the Nutrition Assistance Program which provides cash benefits.

POLICY TRADE-OFFS AND THE 1990 FOOD AND AGRICULTURAL LEGISLATION

Executive Summary

by Carl R. Zulauf,
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Complete paper presented at the National Agricultural and Food Policy Workshop, November 16-17, 1989, Washington, D.C., will soon be available in a Proceedings.

Legacy of the Security Act of 1985

▪ Major objectives discussed during debate on the Food Security Act of 1985 were (1) relieving farm financial stress, (2) increasing farm exports, (3) protecting land resources, and (4) reducing farm program costs.

▪ Exact magnitude of its effects is debatable and has been clouded by the 1988 drought, but the Food Security Act of 1985 appears to have contributed to the following trends since 1985: higher farm income, increased domestic livestock production and export volume and value, and reduced soil erosion.

▪ Thus, objectives 1, 2, and 3 were at least partially attained.

▪ Farm program costs have declined from $26 billion in Fiscal Year 1986 (FY86) to a projected $11 - 14 billion over FY90 & 91. The projections are consistent with the average of $12.5 billion spent during FY84 & 85, but are substantially higher than the $3.4 billion spent during FY80 & 81.

Implications for the 1990 Food and Agricultural Legislation

▪ History suggests that, while farm policy is evolutionary, major changes do occur when a farm policy crisis exists. At present, no farm policy crisis exists. Thus, major changes in farm policy are unlikely.

• However, potential sources for a farm policy crisis exist, including:

- the budget via the Gramm-Rudman budget targets and an economic slowdown,
- the environment via concern over water quality,
- food security via concern over low commodity stocks, especially wheat, and
- a trade agreement that significantly conflicts with current farm policy.

Issues in the 1990 Food and Agricultural Policy Debate

• Issues include planting flexibility, size of the conservation reserve, commodity check-offs, food quality, water quality, farm program costs, rural development, export promotion, commodity donation programs, research/extension funding for sustainable agriculture, and farming practices, especially use of agricultural chemicals.

▪ At present, no issue has been transformed into specific recommendations which alter current mechanics or philosophy of farm policy and enjoy widespread support even among the heterogenous subgroups which make up one group of policy actors.

▪ Nevertheless, the composition of current farm policy issues and actors reveals an important division (see Figure 1).

Farm Price and Income Support Policy Actors and their Objectives

▪ High prices and quantity translate into high farm income for program commodity producers and large input sales for farm input suppliers.

▪ Low prices and high quantity result in cheap commodities, which enhance food availability for the poor; a large volume for farm output handlers, and favorable margins for output users and processors.

▪ Avoidance of high farm prices along with high commodity output means consumers will not have to shift spending from nonfood to food items.

• Moderate prices and output translate into low government costs as both surpluses and scarcity are avoided.

Historical Price and Income Support Compromise

▪ The traditional policy compromise has been: (1) protection against low farm income via nonrecourse loans and direct income payments, (2) protection against high commodity prices via public storage programs, (3) increased food availability for domestic and foreign poor via food aid programs, and (4) protection against high budget costs by requiring farmers to retire land from production to qualify for program benefits.

▪ Program benefits have been based on farm level production volume and national price. Thus, the most efficient producers have survived and prospered under farm programs, just as under the free market.

Actors Concerned with Farm Price and Income Policy Distortions

▪ Exporters to the U.S. and U.S. export competitors are concerned with the barriers to trade erected as a result of U.S. farm programs.
• Environmentalists are concerned that farm policy may encourage cultivation practices which cause excessive chemical use and soil loss.

▪ Rural development advocates are concerned that farm programs may have siphoned funds from more encompassing quality-of-rural-life issues.

Policy Trade-offs for the 1990s

▪ Continued unwillingness of American taxpayers to support higher taxes suggests new public priorities will require funding from existing programs. Furthermore, even assuming economic growth, Gramm-Rudman budget targets will become more difficult to attain as the easy solutions are being used up.

▪ Farm program spending could be redirected to rural development or environmental programs, but large savings require lower deficiency payments, especially for corn. Reductions in target prices or production eligible for payments translate into lower farm income. Higher loan rates or set-asides increase short term market prices, but mean less long term demand.

▪ Farm program costs could be redistributed among commodities by creating an environmental rotation base, eligible for direct payments and including oilseeds, pasture, and hay. But, increased use of pasture and hay in rotation with grains would mean less grain output and higher food prices.

▪ Quality-quantity trade-offs exist in the new debate over food security. Quality and quantity have always been part of food security, but quality concerns have historically focused on processing. They now include farming.

▪ Policy questions that affect international trade raise concerns about national vs. international sovereignty over farm policy, especially as regards domestic price stabilization and food security.

▪ Additional trade-offs between entitlement requirements for public aid and curtailment of private decisions loom. Entitlement to farm program benefits have historically required land set-asides. The 1985 legislation extended entitlement requirements to include constraints on tillage practices.

U.S. FARMERS' PREFERENCES FOR AGRICULTURAL AND FOOD POLICY IN THE 1990s

Executive Summary

by Bob F. Jones and Marshall A. Martin, Purdue University,
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Complete paper presented at the National Agricultural and Food Policy Workshop, November 16-17, 1989, Washington, D.C., will soon be available in a Proceedings.

Farmers in 21 states across the country responded to this survey[1], representing all farmers. The 12,717 who responded expressed a wide range of preferences that are important to 1990 legislation.

Policy research workers in the participating states cooperated in developing a uniform questionnaire so that they could accurately identify similarities and differences of opinion across state lines. Questions selected for the survey centered on the major agricultural and food issues in 1990: price and income support policies, conservation and the environment, credit, trade, food assistance, and fiscal matters.

After the questionnaire was developed, agricultural economists in each participating state carried out their portion of the survey independently. In all states, samples were drawn by or with the assistance of the state agricultural statistics service to attain a representative sample of the state's farmers. Special measures were taken to protect the privacy of all respondents to keep their individual responses confidential in compliance with Federal law.

Responses from each state were combined and weighed, according to the number of farms reported in the 1987 Census of Agriculture, to obtain regional and total composite responses.

POLICY DIRECTION. Farmers' preferences were divided on the future direction that commodity programs should take, but they generally agreed on the instruments to carry them out. A majority favored some form of continuation of farm programs while one-third favored gradual elimination. Only a few preferred mandatory supply control or decoupling.

TARGET PRICES AND LOAN RATES. A majority of farmers would like to keep target prices. More favor gradual increases in rather than current or reduced target prices. To set loan rates, farmers would prefer to use average market prices or elimination of commodity loan programs completely.

PAID LAND DIVERSIONS. Although farmers were divided on continuing paid land diversion, about two-fifths would prefer to continue to give the Secretary of Agriculture an option to use it.

MARKETING LOANS. More farmers favor than oppose a marketing loan for wheat, feed grains and soybeans. However, farmers in the north-central and southern states support the marketing loan while farmers in the west and northeast disapprove.

ACREAGE BASES. Nearly a majority favor a total crop acreage base with flexibility to plant different crops than crop specific acreage bases.

PIK CERTIFICATES. Farmers are split three ways on continuing use of PIK certificates: yes, no and not sure.

FARMER-OWNED RESERVE. About twice as many favor continuing the farmer-owned reserve as oppose its continuation.

FUTURE DAIRY SUPPORT. Preferences on future milk price policy are divided but the most frequent choice among all respondents was to phase out the dairy support program. Milk producers also are divided but their most frequent preference was to base support prices on cost of production and establish a quota for each producer.

ADMINISTRATIVE DISCRETION. Although the Secretary of Agriculture has considerable

discretion in implementing farm programs, more respondents would prefer to make no change than to give him more or less discretion.

DISTRIBUTION OF BENEFITS. A majority favor giving more benefits to farmers with gross sales under $250,000. However, respondents did not support using government programs to influence the number and size of farms.

REDUCING FARM PROGRAM COSTS. If budget pressures require reducing farm program expenditures, respondents prefer to continue payments to farmers under $250,000 sales and reduce payments to larger farm operators, or make across the board percentage cuts. Cutting some programs more than others or making payments only to those farmers with severe financial need are not popular choices.

CONSERVATION PROGRAMS. Farmers strongly support the conservation compliance features of the 1985 Food Security Act. They also strongly support the 10-year Conservation Reserve Program but are divided on how much acreage should be included. To improve soil conservation and water quality, they prefer cost sharing for conservation and water structures and government payments to modify cultural practices or remove land from commercial production. Respondents are concerned with water pollution and agree that government should regulate land uses to reduce it.

CROP INSURANCE AND DISASTER. On other production issues farmers are divided on a policy to deal with farm production risks from natural disasters. Their most frequent preferences were to keep the present crop insurance program and to have limited disaster assistance in years of severe natural disturbances.

PAYMENT LIMITATION. Farmers are divided on the question of payment limitation but the most frequent preference is to make no change in the present $50,000 limit.

CREDIT FOR HIGH RISK FARMERS. Farmers are about evenly divided on the issue of government lending money to farmers who cannot get credit from any other source.

DOMESTIC FOOD ASSISTANCE. Food assistance programs are more popular in the north-central states and northeast than in the west and south.

RURAL DEVELOPMENT. Rural development to expand employment and economic activity in low income rural areas received strong support from all farmers.

TRADE. Farmers support: negotiations to reduce world-wide trade barriers, bilateral agreements, reducing domestic farm subsidies in major importing and exporting countries, international agreements to control production and marketing, additional farmer-financed market development programs, export enhancement and other export subsidies, and efforts to reduce our agricultural import barriers to encourage more trade.

FOREIGN FOOD ASSISTANCE. Respondents had no clear preference on proposals to provide more funds for food aid to hungry nations, for the United States to assist developing countries to increase their agricultural productivity and trade potential, or to give selected low income countries preferred entry to our U.S. agricultural market.

FEDERAL SPENDING. Farmers support reducing the Federal deficit by cutting every budget item by a set percentage, by reducing the defense budget, by reducing social programs, by reducing farm program expenditures, by collecting taxes due the Federal government and by increasing user fees for government services. Respondents oppose raising taxes or cutting social security payments to reduce the Federal deficit.

Footnotes

[1]The cooperation of agricultural policy economists at 21 land grant universities and the state agricultural statistics service offices is gratefully acknowledged. Dennis Shields and Connie Schwartz at Purdue University were especially helpful in assembling and analyzing the state data.

1990 AGRICULTURAL AND FOOD BILLS

COMPARISON OF PROVISIONS OF SELECTED BILLS

John Craven, Lori Lynch, & Susan Pollack

May 14, 1990

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1990
Farm Bill
Alternatives

Major Field Crop Programs: Wheat,

Current and proposed legislation	Acreage reduction	Price support loans
1. Current statutes Current statutes authorize programs for wheat, feed grains (corn, grain sorghum, oats, barley, and rye), upland cotton, extra long staple cotton, rice, and soybeans through the 1990 crops. Current commodity programs reflect the "movement toward a more market oriented agriculture" philosophy that was introduced by the Food Security Act of 1985. Both the Administration and Congress generally agree that these statutes provide a good foundation upon which to base the 1990 farm bill.	Paid Land Diversion (PLD), Set-aside Programs, and unpaid Acreage Reduction Programs (ARPs) are authorized by current statutes. ARPs and PLDs restrict the acreage that participants can plant to any one program crop. Set-aside programs differ in that a certain portion of a farm's normal acreage is idled and any of a group of crops can be planted in any proportion of the remaining acreage. An ARP has been used for each major program crop in each year that current programs have been in effect. ARPs require program participants to reduce plantings by a specified portion of their crop acreage bases (prior years' acreage that was planted or considered planted to the program crop). ARPs also require participants to maintain their reduced acreage in conserving uses. Set-aside programs have not been used since the 1970's. Voluntary PLD programs have not been used in recent years but they were used in the mid-1980's to assist in reducing burdensome stocks.	Price support is provided to program participants through direct purchases and non-recourse loans on program crops; primarily the latter. In addition, extended non-recourse loans and Government storage payments for wheat and feed grains are provided through the Farmer-owned Reserve Program. Basic (statutory) loan and purchase rates for most program crops are 75-85% of the "middle three of the previous five years" moving average price received by farmers. Thus, loan rates are tied to market conditions, however, an annual basic loan rate may not be set lower than 95% of its year-earlier value. Cotton and rice loan rates may not fall below $0.50/lb. and $6.50/cwt., respectively. For wheat and feed grains, actual (Findley) loan and purchase rates can be set as much as 20% below the basic loan rate if the Secretary determines that market conditions warrant such a reduction. "Marketing loan" provisions, which allow for loan repayments at discounted rates, are mandatory for cotton and rice and may be implemented at the Secretary's discretion for the other major field crops.
2. Food and Agricultural Resources Act of 1990 - H.R. 3950 - de la Garza and Madigan One purpose of H.R. 3950 is to provide the House Agriculture Committee with a broad working bill for its subcommittees to flesh out with more detail. To the extent that it is complete, H.R. 3950 is similar to The Food Security Act of 1985, the primary Act underlying current farm programs.	ARP for wheat: ending stocks greater than 1 billion bushels, acreage base reduced 20-30%; if less than 1 billion bushels, acreage base reduced by 20% or less.; feed grains: ending stock greater than 2 billion bushels, ARP between 12.5 and 20%, between 1.8 and 2 billion bushels, ARP 10-12.5%, 1.8 billion bushels or less, ARP 10% or less; upland cotton: ending stocks of 4 million bales or more, ARP of up to 25%; rice: ending stocks of 30 million cwt., ARP of up to 35%. PLD and set-aside programs are at the Secretary's discretion.	Basic (statutory) loan rate set at 75-85% of "middle three of the previous 5 years." Actual (Findley) rate may be set as much as 20% below the basic rate at the Secretary's discretion. Marketing loans continue to be mandatory for cotton and rice and at the Secretary's discretion for other program crops. Soybean support price equal to 75% of simple average price received by producers for previous 5 marketing years (excluding highest and lowest) but price support may not be reduced more than 5% in any year. The minimum soybean support price would be set at $4.50 per bushel.

Feed Grains, Cotton, Rice, and Soybeans

Producer flexibility

The Secretary has discretionary authority to allow producers to increase a crop acreage base by up to 10% provided there is a corresponding decrease in another crop acreage base.

For 1990, soybeans, sunflowers, or safflowers may be planted on up to 25 % of permitted program crop acreage without loss of program crop base acres. Also, approved nonprogram crops (sunflowers, safflowers, canola, rapeseed, others) may be planted on up to 20 % of permitted program crop acreage (crop acreage base less ARP) without loss of base if 1) at least 50 % of the permitted acreage is planted to the program crop for harvest, and 2) deficiency payments are not received on permitted acres that are not planted (0/50-92 acres).

Another statute allows oats to be substituted for other program crops without loss of prior individual crop acreage base maintenance history.

H.R. 3950 would continue the flexibility options of current statutes (mandated by the Disaster Assistance Act of 1989 and P.L. 101-81).

Income support

Except for soybeans and rye, income support is provided through "deficiency" payments that are made when average market prices fall below "target price" levels. Income support is not provided for soybeans or rye.

Deficiency payments are calculated by multiplying a payment rate times a program payment yield times the number of acres for payment.

The payment rate is either the difference between the target price and the national average price received by farmers for a specified portion of the marketing year or the difference between the target price and the national average nonrecourse loan rate, whichever difference is smaller.

Program payment yields are calculated as the average of farm program payment yields for the 1981 through 1985 crop years, excluding the years in which such yields were the highest and the lowest. The Secretary may use the preceding five year's actual harvested yields in calculating program payment yields, but he has chosen not to do so.

Would continue deficiency payments calculated as above. Target price minimums would be set as follows: wheat - $4/bu.; corn - $2.75/bu.; upland cotton - $0.729/lb.; and rice - $10.71/cwt.

Payment and loan limits

Current statutes impose a $50,000 per person payment limit for deficiency payments and land diversion payments received under one or more of the annual wheat, feed grain, upland cotton, extra long staple cotton, or rice programs. Disaster assistance payments under annual programs are limited to $100,000 per year.

A $250,000 aggregate limit applies to the annual program payments, resource adjustment payments, disaster payments under annual programs, and any gain realized from repaying a loan for a crop at a lower level than the original loan level.

A separate $50,000 limit applies to annual rental payments that can be received under the Conservation Reserve Program.

Would continue current payment limitation statutes of the Food Security Act of 1985 and its amendments.

Major Field Crop Programs: Wheat,

Proposals	Acreage reduction	Price support loans
3. The Food Security Act of 1990 - S. 2292 - Lugar This bill contains proposals originating from the Bush Administration to continue the course charted in the 1985 Food Security Act, i.e., market-oriented agriculture, aggressive promotion of exports, and environmental protection. This bill will also continue to support farm income through the target price system. S. 2292 differs from the 1985 Farm Bill in that it would provide for planting flexibility with a normal crop acreage base for each farm allowing planting of any program crop and oilseeds without loss of payment eligibility and historical base. It would also change the acreage reduction programs to base them on stock-to-use ratios with lower maximum ARP levels for grain than the Administration even proposes.	Acreage Reduction Programs (ARPs) could be authorized for program crops if supplies are excessive. For wheat and feed grains, ARP levels would be determined by the ratio of ending stocks (carryover) to total use. For wheat, ARPs would be 0-5% if ending stocks were less than 40% of use, and 5-10% if stocks exceed that level. Feed grain's trigger level would be 25% of use. (These are lower minimum ARP levels than proposed by the Administration). For cotton and rice, ARPs would be set to achieve a stocks-to-use ratio of 30% for cotton and 20% for rice. The maximum ARPs for these crops would be 20%. PLD's also would be authorized. ARPs for oilseeds would not be authorized. On acres idled under an ARP, producers could plant the program crop for which the ARP is established, but not other program crops or oilseeds. For each program crop acre planted on Acreage Conservation Reserve farmers would give up one acre of deficiency payments (as in the 1990 wheat program). Conserving, experimental and industrial crops could also be planted and harvested, and would also require offsetting loss of deficiency payments.	All loan rates would be set with a similar formula: 75-85% of a five-year moving average of market prices, dropping the high- and low-valued years. However, basic loan rates could not drop more than 5% per year. An additional 20% cut would be made if necessary to make crops competitive in the international market. The bill maintains a minimum loan rate of $4.50 for soybeans. For cotton and rice, marketing loans would be mandatory, as under current law, but present minimum loan rates ($0.50/lb. and $6.50/cwt respectively) would be eliminated. The Farmer Owned Reserve (FOR) will shift to 9-12 month contracts instead of the current 3-5 year contracts. FOR participants will receive fixed storage payments, paid quarterly. A maximum level of 300 million bushels for wheat and 600 for feed grains will be established. Farmers could enter or exit the FOR freely, but storage payments could be discontinued when prices go above 140% of the loan rate. For government-owned commodities, the minimum price for cash sales is 110% of the loan rate.
4. Farm Flexibility Act of 1990 - S. 2251 - Boschwitz This bill would continue the emphasis on market orientation of present farm legislation. It is a 7-year bill for 1991-97.	No ARP would be authorized under this bill. PLDs would be targeted at environmental concerns, with enrollment based on bids.	Recourse (harvest) loans would be set by the Secretary at 75-85% of 5-year moving average farm price, dropping highest and lowest year. This loan would have to be repaid in full plus interest. Recourse loans would not available for oilseeds. Nonrecourse loan rates would be set at 80-100% of recourse loan rates. Marketing loans would be mandatory for cotton and rice, but at the Secretary's discretion for wheat, feed grains, and oilseeds. Farmer-owned reserve--Storage payment rates would be the same as the CCC pays commercial warehouses. There would be no release triggers; contracts would be up to 18 months long; and storage payments would be made as long as prices are below 150% of the nonrecourse loan rate.

Feed Grains, Cotton, Rice, and Soybeans

Producer flexibility

A Normal Crop Acreage (NCA) equal to the sum of the crop acreage bases for wheat, feed grains, cotton, rice, and historical plantings of oilseeds, would serve as an overall limit on planted acreage for each program participant. Participants would also have to comply with any individual crop ARP requirement.

Payment acres would equal the historic crop acreage base for any crop minus ARP requirements. Producers could plant and harvest any combination of program crops and oilseeds on their payment acres without losing any deficiency payments. Conserving crops, such as alfalfa, could be planted, but not harvested. Farming other alternative crops on payment acres might be allowed but producers would have to forgo deficiency payments on those acres.

To counter short supplies, participants could be permitted to plant up to 105 % of their NCA. If a crop is in excess supply, it would be excluded from the NCA and assigned an individual base and ARP.

Income support

Target prices are would be set at 1990 levels for the duration of this farm bill.

Payment and loan limits

Deficiency payments would be subject to a limit of $50,000 per person. The portion of the total payment attributable to any discretionary reduction of up to 20 % in loan rate would be subject to the current combined $250,000 limit.

Farm acreage base (FAB) would be created, which would be the sum of the crop acreage bases for all program crops on a farm plus a newly created oilseed base. A producer can grow any combination of these crops as long as the plantings do not exceed the FAB. Deficiency payments will be paid on 1990 crop acreage base for 1991-97, regardless of program crop or oilseed planted. Payments will also be made for planting conserving crops as long as they are not harvested. No payments will be made for nonprogram crops planted on FAB, but producers will maintain their base.

Minimum target prices for 1991-1997: wheat--$4.00/bu.; corn--$2.75/bu.; cotton--$0.729/lb.; and rice--$10.71/cwt. This bill would also establish a graduated oilseed payment: for each cent the average soybean price for marketing year is below $5.02/bu but above $4.50/bu. a $0.30/acre payment will be made. If the price falls below $4.50/bu., a payment equal to the amount the soybean price is below $4.50 times the average county soybean yield from 1985-89 will be made. Other oilseed payments would be based on soybeans.

Producers are also given the option of a "guaranteed deficiency payment" where they lock in their deficiency payment at the time of sign-up.

Payment limits are set at $50,000 for deficiency and diversion payments; $100,000 for disaster; and $250,000 for all program payments.
A producer may not place the same quantity of a crop under both the recourse and nonrecourse loans, but may place the crop under a combination of the 2 loans.

1990
Farm Bill
Alternatives

Miscellaneous Commodity Programs: Honey, Milk,

Current and proposed legislation	Honey	Milk
1. Current statutes Current statutes authorize programs for honey, milk, peanuts, sugar, and wool and mohair through the 1990 marketing year. The features of the authorized programs differ considerably from current programs for the major field crops (e.g. none feature deficiency payments for income support).	Price support is provided to honey producers through annual nonrecourse loans. Declining honey loan rates were mandated by the Food Security Act of 1985 to help move honey toward more market-oriented pricing. The Secretary has discretionary authority to allow repayment of honey loans at rates lower than the announced loan level if such rates will lower loan forfeitures, keep stocks of honey from becoming excessive, reduce Government costs, and maintain the competitiveness of honey in domestic and export markets. The Secretary has implemented the lowered repayment rates each year since 1986. Gains from repaying honey loans at lowered rates are subject to the $250,000 aggregate program payment limitation. Also, the value of nonrecourse loan forfeitures are limited to $250,000.	Milk prices are supported through government purchases of storable dairy products: butter, cheese, and nonfat dry milk. In recent years the Secretary has been either mandated or authorized to adjust the price support rate on January 1 dependent on the estimated level of CCC purchases for the calendar year. Purchases of 2.5 billion or fewer pounds of dairy products (milk-equivalent basis) would trigger a 50-cent price support increase whereas estimated purchases of 5 billion or more pounds would trigger a 50-cent decrease. Other currently authorized dairy programs include the Dairy Export Incentive Program, which provides payments to assist exporters of dairy products, and the Dairy Indemnity Program, which compensates dairy farmers or dairy product manufacturers for products that must be pulled from the market due to contamination by chemicals or other residues.
2. Food and Agricultural Resources Act of 1990 - H.R. 3950 - de la Garza and Madigan	Would continue the current price support program with 5% reductions in the loan rate for each of the 1991 through 1995 crop years; provided that the loan rate can not decline below 75% of the previous 5-year (excluding the high and the low) moving average of prices received by farmers for honey.	Would continue programs introduced by the Food Security Act of 1985 as described above.

Peanuts, Sugar, Wool and Mohair

Peanuts

The peanut program provides a two tiered price support system for "quota" peanuts (primarily, peanuts sold for domestic use) and "additional" peanuts (primarily, peanuts sold for export). A national poundage quota limits the amount of peanuts that are eligible for support at the quota support rate, a rate that is approximately four times as high as the "additional" support rate.

Although support may be provided to producers through purchases or loans on farm-stored peanuts, it is provided mainly through nonrecourse warehouse-storage loans to grower associations acting for farmers.

Quota peanut support rates are adjusted annually to include up to a 6-percent increase in the cost of producing peanuts.

Would continue the program as defined in the Food Security Act of 1985. The Secretary would set the national poundage quota for domestic use at not less than 1.1 million tons, and price support rates could increase up to 6% above the previous year's rate.

Sugar

Sugarcane prices are supported through nonrecourse loans at not less than $0.18/lb. for raw cane sugar. Sugarbeet prices must be supported at a level that is fair and reasonable in relation to sugarcane.

The Secretary may increase the sugar support level based on factors he considers fair, reasonable, and relevant; however, if he fails to increase the support rate annually, he must submit a report to Congress explaining why he did not do so.

The President must use all available authorities to ensure the sugar program operates at no cost to the government. Import quotas are the primary tool used to achieve this goal.

Would continue sugar program with nonrecourse loan of at least $0.18/lb. for raw cane sugar; sugarbeets would be set in relation to this rate. The Secretary would again be required to submit a report to Congress if the support rate was not increased as defined in current law.

Wool and Mohair

Shorn wool prices are supported through payments that make up any difference between a statutory formula-based support price and the national average price received by farmers.

Support prices for pulled wool are established in terms of its value relative to shorn wool, and support prices for mohair are established such that they are approximately the same percentage of parity as are support prices for shorn wool.

Total wool and mohair program payments as of any date cannot exceed 70 % of the aggregate gross receipts, as of the same date, from import duties collected on wool and fine animal hair or articles made from these commodities.

Would continue current programs.

Miscellaneous Commodity Programs: Honey, Milk,

Proposals	Honey	Milk
3. The Food Security Act of 1990 - S. 2292 - Lugar	For honey, a target price and loan rate system would replace the current price support structure, but a marketing loan would continue to be required.	Would continue current program with additional discretion given to the Secretary. Cuts or increases in the support price would be determined by estimates of government purchases of surplus dairy products, under the following schedule. Estimated government purchases (bil. lbs.) / Price support adjustment ($/cwt) 0 to 2.5 / +.25 to +.50 2.51 to 5.0 / -.25 to +.25 5.01 to 7.5 / -.25 to -.50 7.51 to 10.0 / -.50 to -.75 10.0 or more / - 1.00
4. Farm Flexibility Act of 1990 - S. 2251 - Boschwitz	No provisions.	No provisions.

Peanuts, Sugar, Wool and Mohair

Peanuts	Sugar	Wool and Mohair
The peanut support rate would be set at 90 percent of the 1985 level. Present restrictions on selling or leasing production quotas will be eliminated.	No provisions.	For wool and mohair, target prices would be established. They would be set at 90 percent of 1985 support prices.
No provisions.	No provisions.	No provisions.

1990 Farm Bill Alternatives

Miscellaneous Program Provisions: Conservation, Credit,

Current and proposed legislation	Conservation	Credit
1. Current statutes	Major conservation features of current statutes include highly erodible land provisions, wetland conservation provisions, and the Conservation Reserve Program. Highly erodible land provisions include "sodbuster" and conservation compliance requirements to place highly erodible land under approved conservation plans as conditions for receiving program benefits. The wetland conservation provision denies program benefits to anyone who converts wetlands to cropland. The Conservation Reserve Program (CRP) pays rent to landowners and farm operators for taking highly erodible land out of production for a 10-year period. The CRP was mandated for the 1986 through 1990 crop years, and acreage enrollment minimum and maximum levels were also mandated. Through December 1989, 33.1 million acres were enrolled in the CRP at an average annual rental rate of approximately $49 per acre.	Current statutes authorize the Secretary to make real estate loans, operating loans, and emergency loans to farmers, ranchers, and organizations whose primary business is farming or ranching and are controlled by farmers and ranchers. The loans are primarily targeted to family-sized farmers that are unable to obtain sufficient credit elsewhere at reasonable rates and terms. Real estate loans may not exceed the smaller of the value of the farm or other security, or, in the case of a guaranteed loan, $300,000; in the case of a direct loan, $200,000. Operating loans may not exceed $400,000 in the case of guaranteed loans or $200,000 in the case of direct loans. Emergency loans are limited to the actual loss or $500,000, whichever is smaller. Emergency loans are not made for crop disasters if federally subsidized crop insurance was available but not purchased. Interest rates for credit program loans are quite reasonable (e.g. in the case of real estate the interest rate is 1 % above the interest received for a government security of similar maturity). The Secretary has wide discretionary authority to allow deferred payments and otherwise avoid foreclosure in the event borrowers are unable to pay on time.
2. Food and Agricultural Resources Act of 1990 - H.R. 3950 - de la Garza and Madigan	H.R. 3950 would provide the Secretary of Agriculture with discretionary authority to formulate and carry out a Conservation Reserve Program (CRP) for the 1991 through 1995 crop years. No mandatory enrollment guidelines are provided, and no changes are proposed for almost all of the current statutes that relate to duties of participants and the Government under CRP contracts.	No provisions.

Disaster Assistance, Export Market Development, Food Programs

Disaster Assistance/Crop Insurance

Federally subsidized crop insurance is authorized for most crops that are grown commercially in a particular region; it is currently available for a wide variety of crops, but it is not always available in each locality where a crop is grown.

If Federal crop insurance is not available to wheat, feed grains, upland cotton, or rice producers under the Federal Crop Insurance Act, current statutes mandate prevented planting and reduced yield disaster assistance payments.

The Secretary has discretionary authority to make prevented planting and reduced yield disaster assistance payments to the producers of these crops even if federal crop insurance is available and purchased; provided that such losses have created an economic emergency for producers, additional economic assistance is needed to alleviate the economic emergency, and Federal crop insurance payments and other Federal assistance is insufficient to relieve the emergency.

Similar provisions allow the Secretary to assist livestock producers in the event of natural disasters affecting feed supplies.

H.R. 3950 would extend the current prevented planting and reduced yield disaster assistance coverage to include the 1991 through 1995 crops.

This proposal does not specifically address livestock disaster assistance or Federal crop insurance; however, since livestock disaster assistance statutes are not scheduled to expire, the proposal would not alter producers' protection under those statutes.

Export Market Development

Current statutes contain a number of provisions intended to help maintain and expand markets for U.S. agricultural products. Among them are the Targeted Export Assistance Program that is intended to offset the adverse effects on producers of subsidized exports from U.S. competitors and an Export Enhancement Program that is intended to expand exports and offset unfair trading practices of other nations by effectively lowering export prices through the release of CCC-owned stocks to U.S. exporters who have verified export sales.

Overseas food assistance programs, which provide for credit sales and donations of food to developing countries, also serve to expand the longer-term commercial demand for U.S. agricultural products. These include Food for Peace, Food for Progress, and commodity donations under Section 416(b) of the Agricultural Act of 1949.

This proposal would extend the current export assistance programs through fiscal year 1995.

Domestic Food Assistance

Current statutes authorize a number of domestic food programs intended to help low-income households, children, and the elderly. Many of these programs are scheduled to expire before 1991.

Four types of programs are offered. The largest of these is the Food Stamp Program which provides stamps to qualified low-income households for their use in making food purchases.

Commodity distribution programs distribute surplus government-owned food to needy individuals, charitable institutions, American Indians, and the elderly.

Supplemental food programs help narrowly-targeted groups that have special nutritional needs. For example, the WIC program helps infants and children by providing their mothers with coupons that can only be spent on certain food items--infant formula, for example.

There are many food programs that assist in providing nutritionally adequate diets to children. These include School Lunch, School Breakfast, Special Milk, and Summer Food Programs.

The proposed Food and Agricultural Resources Act of 1990 would extend authority to operate the Food Stamp Program, various commodity distribution programs, and supplemental food programs.

Appropriations for each of the programs would be authorized at fiscal year 1990 levels. No intra-period increases in appropriations are provided for.

Miscellaneous Program Provisions: Conservation, Credit,

Proposals	Conservation	Credit
3. The Food Security Act of 1990 - S. 2292 - Lugar	Producers' crop bases would be protected beyond the present expiration dates of Conservation Reserve Program (CRP) contracts as long as the land is maintained in grass or trees. In order to protect water quality and provide vital wildlife habitat, the bill would allow former wetlands, which had been converted to crop production, to be entered into the CRP and restored to their wetland status. Under future CRP contracts, land would have to meet strict erodibility standards if returned to crop production. The bill would also provide incentives for increased planting of hardwood trees under the CRP, such as contracts for up to 15 years and expanded cost-share payments. Windbreaks and shelter belts would be allowed into the CRP and USDA would be authorized to enter CRP contracts during 1991-95. In this regard, special emphasis would be placed on contracts to improve water quality.	Eligibility for direct Farmers Home Administration operating loans would be limited to seven years, and targeted to existing borrowers and beginning farmers. "Borrower-rights" provisions would be changed to restrict eligibility for debt write-downs to loans made in 1987 and before, requiring that borrowers deal in good faith with FmHA to receive favorable buy-outs, and other measures.
4. Farm Flexibility Act of 1990 - S. 2251 - Boschwitz	Conservation compliance, sodbuster, and swampbuster would continue through 1997. Crop rotation would be allowed without producers losing deficiency payments. The CRP would be open to enrollment for up to 45 million acres and eligible land would be expanded to include: wetlands and surrounding uplands, all shelterbelts and windbreaks, and lands that pose on-or off-farm threats. Planting of hardwood trees would be encouraged through eligibility for 15-year contracts, 50 % cost-sharing for establishing and maintaining the new trees, and conversion of existing contracts that are planted to grass to contracts allowing hardwood tree plantings.	No provisions.

Disaster Assistance, Export Market Development, Food Programs

Disaster Assistance/Crop Insurance

The bill would eliminate the Federal Crop Insurance Corporation, leaving multi-peril insurance to the private sector. A new disaster assistance program would be created, administered through the Agriculture Stabilization and Conservation Service, for all crops now covered by FCIC plus hay and forage.

Disaster payments would be available only in counties where yields fall below 65 % of normal. Upon county eligibility, producers will receive payments if their own yields are below 60 % of the county average yield. Payments will be 65 % of the three-year average price, or 33 % of the average price if producers were prevented from planting a crop.

Similar provisions allow the Secretary to assist livestock producers in the event of natural disasters affecting feed supplies.

No provisions.

Export Market Development

The Export Enhancement Program would continue without specific budgetary limits. The Targeted Export Assistance program would continue at $200 million or less, the current authorized level. Export Credit Guarantees (GSM-102 and GSM-103) would be authorized at $5 billion for short-term credits and $1 billion for intermediate-term credits.

Extends Food Security Wheat Reserve.

Domestic Food Assistance

This bill would reauthorize the Food Stamp Program, with provisions aimed at preventing fraud and abuse by food stores, setting aside special grants to reach out to the homeless and require participants' cooperation with local child-support agencies. It would also reauthorize the Commodity Supplemental Food Program, the Food Distribution Program on Indian Reservations and other special donation programs.

No provisions.

COMMODITY PROGRAM UPDATE

BY RICHARD L. SHELTON AND SUSAN L. POLLACK*

Commodity	1985	1986	1987	1988	1989	1990
Wheat						
Target price ($ per bu.)	4.38	4.38	4.38	4.23	4.10	4.00
Loan rate ($ per bu.)	3.30	2.40	2.28	2.21	2.06	1.95
Acreage reduction (percent)	20.0	22.5	27.5	27.5	10.0	5.0 3
Paid land diversion (percent) 1/	10.0	5-10/2.5	--	--	--	--
Paid land diversion payment rate ($ per bu.)	2.70	2.00/1.10	--	--	--	--
National base acreage (mil.)	94.0	91.6	87.6	84.8	82.4	N.R.
Corn						
Target price ($ per bu.)	3.03	3.03	3.03	2.93	2.84	2.75
Loan rate ($ per bu.)	2.55	1.92	1.82	1.77	1.65	1.57
Acreage reduction (percent)	10.0	17.5	20.0	20.0	10.0	10.0
Paid land diversion (percent) 2/	--	2.5	15.0	10.0	--	--
Paid land diversion payment rate ($ per bu.)	--	0.73	2.00	1.75	--	--
National base acreage (mil.)	84.2	81.7	81.5	82.9	82.8	N.R.
Grain Sorghum						
Target price ($ per bu.)	2.88	2.88	2.88	2.78	2.70	2.61
Loan rate ($ per bu.)	2.42	1.82	1.74	1.68	1.57	1.49
Acreage reduction (percent)	10.0	17.5	20.0	20.0	10.0	10.0
Paid land diversion (percent) 2/	--	2.5	15.0	10.0	--	--
Paid land diversion payment rate ($ per bu.)	--	0.65	1.9	1.65	--	--
National base acreage (mil.)	19.3	19.0	17.4	16.8	16.3	N.R.
Barley						
Target price ($ per bu.)	2.60	2.60	2.60	2.51	2.43	2.36
Loan rate ($ per bu.)	2.08	1.56	1.49	1.44	1.34	1.28
Acreage reduction (percent)	10.0	17.5	20.0	20.0	10.0	10.0
Paid land diversion (percent) 2/	--	2.5	15.0	10.0	--	--
Paid land diversion payment rate ($ per bu.)	--	0.57	1.60	1.40	--	--
National base acreage (mil.)	13.3	12.4	12.5	12.5	12.4	N.R.
Oats						
Target price ($ per bu.)	1.60	1.60	1.60	1.55	1.50	1.45
Loan rate ($ per bu.)	1.31	0.99	0.94	0.90	0.85	0.81
Acreage reduction (percent)	10.0	17.5	20.0	5.0	5.0	5.0
Paid land diversion (percent) 2/	--	2.5	15.0	--	--	--
Paid land diversion payment rate ($ per bu.)	--	--	--	--	--	--
National base acreage (mil.)	9.4	9.5	8.4	7.9	7.6	N.R.

*U.S. Agricultural Policy Branch, ATAD, ERS

Commodity	1985	1986	1987	1988	1989	1990
Rye						
Loan rate ($ per bu.)	2.17	1.63	1.55	1.50	1.40	1.33
Soybeans						
Loan rate ($ per bu.)	5.02	4.77	4.77	4.77	4.53	N.R.
Peanuts						
Loan rate, quota ($ per ton)	559	607.47	607.47	615.27	615.87	631.47
Loan rate, non-quota ($ per ton)	148	149.75	149.75	149.75	149.75	149.75
Marketing poundage quota (1,000 tons)	1,100	1,355.5	1,355.5	1,402.0	1,440.0	1,560.0
Upland Cotton						
Target price (cents per lb.)	81.0	81.0	79.4	75.9	73.4	72.9
Loan rate (cents per lb.)	57.3	55.0	52.25	51.8	50.0	50.3
Acreage reduction (percent)	20.0	25.0	25.0	12.5	25.0	12.5
Paid land diversion (percent)	10.0	--	--	--	--	--
Paid land diversion payment rate ($ per bu.)	30.0	--	--	--	--	--
National base acreage (mil.)	15.8	15.5	14.5	14.5	14.7	N.R.
Extra Long Staple (ELS) Cotton						
Target price (cents per lb.)	103.14	102.48	97.7	95.7	96.7	98.1
Loan rate (cents per lb.)	85.95	84.50	81.4	80.9	81.8	81.8
Acreage reduction (percent)	10.0	10.0	15.0	10.0	5.0	5.0
National base acreage (thous.)	66.0	77.7	85.9	105.0	119.0	N.R.
Rice						
Target price ($ per cwt)	11.90	11.90	11.66	11.15	10.80	10.71
Loan rate (cents per lb.)	8.00	7.20	6.84	6.63	6.50	6.50
Acreage reduction (percent)	20.0	35.0	35.0	25.0	25.0	20.0
Paid land diversion (percent)	15.0	--	--	--	--	--
Paid land diversion payment rate ($ per bu.)	3.50	--	--	--	--	--
National base acreage (mil.)	4.2	4.2	4.2	4.2	4.1	N.R.
Flue-cured Tobacco						
Loan rate (cents per lb.)	169.9	143.8	143.5	144.2	146.8	148.8
Effective marketing quota (mil. lbs.)	758.0	699.4	740.0	810.2	900.0	939.0
National allotmont acreage (thous.)	389.6	966.3	355.5	379.6	426.5	420.4
Burley Tobacco						
Loan rate (cents per lb.)	178.8	148.8	148.8	150.0	153.2	155.8
Effective marketing quota (mil. lbs.)	541.7	488.2	524.8	565.0	587.6	602.3

Commodity	1985	1986	1987	1988	1989	1990
Wool						
Support level (cents per lb.)	165	178	181	178	177	182
Mohair						
Support level (cents per lb.)	443	493	495	469	459	453
Sugar						
Loan rate for raw cane (cents per lb.)	18.00	17.23	18.00	17.50	21.80	21.95
Loan rate for refined beet (cents per lb.)	21.06	20.18	21.16	21.07	N.R.	N.R.
Honey						
Loan rate (cents per lb.)	65.3	64.0	61.0	59.1	56.4	N.R.

*U.S. Agricultural Policy Branch, ATAD, ERS. For more information, call (202) 786-1696.

1/ In 1986, the 2.5 percent paid land diversion was mandatory for participants in the wheat program. Also, particpants had the option on an additional 5-10 percent voluntary paid land diversion.

2/ In 1986, the 2.5 percent paid land diversion was mandatory for participants in the feed grain program.

3/ In 1990, producers have the opportunity to plant up to 105 percent of their wheat base. For each acre planted above 95 percent of the base, the acreage used in determining the producer's deficiency payment will decrease by one acre.

-- = Not applicable.

N.R. = Not released.

AGRICULTURAL AND FOOD POLICY UPDATE: ADMINISTRATIVE DECISIONS

by Letricia M. Womack

Grains

USDA Announces 1990 Feed Grain Program Provisions--USDA announced a 10-percent acreage reduction (ARP) for 1990 crop corn, grain sorghum and barley and a 5-percent ARP for 1990 crop oats. The 1990 ARP levels are the same as were announce for the 1989 crop. Provisions of the 1990 feed grain program are:

o Target prices established per bushel are $2.75 for corn, $2.61 for sorghum ($4.66 per hundredweight), $2.36 for barley and $1.45 for oats.

o Loan and purchase rates per bushel are $1.57 for corn, $1.49 for sorghum ($2.66 per hundredweight), $1.28 for barley, $0.81 for oats and $1.33 for rye.

o Malting barley will not be exempt from the acreage limitation requirements established for the 1990 barley program.

o Barley and oats bases will be split for the 1990 crop. This action should increase the harvested acreage of oats.

o Oats will not be subject of the limited cross compliance provisions.

o There will not be a paid land diversion program.

FGIS Adopts Hard and Soft White Wheat Classes--The Department of Agriculture's Federal Grain Inspection Service announced the amending of U.S. standards for wheat by replacing the single class "white wheat" with two classes, "hard white wheat" (HWW) and "soft white wheat" (SWW). The class SWW will have three subclasses, soft white wheat, white club wheat, and western white wheat. The class HWW will not have subclasses. The new classes will become effective May 1, 1990.

Sugar

USDA Announces Market Stabilization Price for Sugar--USDA announced the fiscal 1990 market stabilization price for raw cane sugar will be 21.95 cents per pound, raw value. The new price is up slightly from the 1989 level of 21.80 cents per pound. The market stabilization price represents the price art or above which producers would be more likely to sell their sugar in the market place than forfeit it to the Commodity Credit Corporation. It also is used to calculate penalties and liabilities under quota-exempt sugar programs conducted by the U.S. Department of Agriculture. The new market stabilization price is the sum of the price support loan rate for raw cane sugar for fiscal 1990 (18 cents per pound), the adjusted average transportation costs for shipping raw cane sugar (3.04 cents per pound), interest costs of repaying a sugar price support loan at full maturity (.71 cents per pound) plus two-tenths of a cent per pound. The procedure for calculating the market stabilization price is specified in the Code of Federal Regulations.

USDA Announces Increase of Sugar Import Quota--Secretary of Agriculture Clayton Yeutter announced that the import quota for sugar is increased by 272,915 metric tons (about 300,835 short tons), form 1,986,950 metric tons, raw value, to 2,259,865 metric tons, raw value. The increase was effective Monday, November 27, 1989. The increase puts quota shipments about 13.5 percent higher than with the previous quota. The quota period remains unchanged from Jan. 1, 1989 through September 30, 1990.

Cotton

USDA Announces 1990 Extra-Long Staple Cotton Program Provisions--Acting Under Secretary of Agriculture John Campbell announced a 5-percent acreage reduction for the 1990 extra-long-staple (ELS) cotton program. The following provisions apply:

o the established target price will be 98.1 cents per pound;

o the loan level will be 81.77 cents per pound;

o recourse loans for ELS seed cotton will be made available;

o the signup period began on Jan. 16, 1990 and will run until April 13, 1990, the same as for wheat, rice, feed grains, and upland cotton; and

o all countries designated as suitable for growing ELS cotton during the 1989 marketing

year are redesignated for the 1990 marketing year.

USDA Announces 1990 Upland Cotton Program Provisions--Secretary of Agriculture Clayton Yeutter announced a 12.5 percent acreage reduction and other provisions of the 1990 upland cotton program. Some of the provisions are as follows:

o The established target price will be 72.9 cents per pound.

o The loan level will be 50.27 cents per pound for the base quality of upland cotton, Strict Low Middling (SLM), 1-1/16 inch, micronaire 3.5 through 4.9, at average U.S. location.

o Plan B of the marketing loan program will be implemented. Under Plan B, 1990 crop cotton pledged as collateral for a price support loan may be repaid at the lower of the adjusted world price (AWP) or the loan level.

Other provisions include:

o A paid land diversion program will not be implemented.

o Loan deficiency cash payments will be made to eligible producers who agree to forego loan eligibility if the loan repayment rate is less than the announced loan level. The payment rate will equal the difference between the loan level and the loan repayment rate. Producers may elect to forego loan eligibility and receive loan deficiency payment on a bale-by-bale basis.

o A recourse loan program for upland seed cotton will be available.

o An inventory reduction program will not be implemented.

Rice

USDA Announces 1990 Rice Program Provisions--USDA announced a required acreage reduction (ARP) of 22.5 percent for the 1990 rice program. This compares with a 25-percent ARP for the 1989 program. Some of the provisions are:

o A national average price support level of $6.50 per hundredweight.

o An established "target" price of $10.71 per hundredweight.

o The differential between whole kernel milled rice price support rates of different classes is established at $1.00 per hundredweight, the same as the 1989 crop. Whole kernel milled rice price support rates are $10.84 per hundred weight for long grain and $9.84 for medium and short grain rice. The broken kernel rate for all rice classes i $5.42 per hundredweight.

o Producers who pledged 1990 crop rice as collateral for a price support loan will not be permitted to purchase marketing certificates when repaying loans at the ,marketing loan repayment rate.

o Loan deficiency payments will be made available under the same terms and conditions that were applicable to the 1989 crop.

o The discretionary inventory reduction program will not be implemented.

USDA Announces Revised 1990 Rice Acreage Reduction Program--USDA announced that the percentage reduction under the acreage reduction program (ARP) for the 1990 rice program is being reduced to 20 percent. A 22.5 percent reduction was announced on Jan. 3. This action is being taken after reviewing recent projected supply and demand estimates for the 1989 rice crop. The report shows ending stocks at 19 million hundredweight, the lowest level since the 1980 crop. The Agricultural Act of 1949 requires the secretary of agriculture to carry out an acreage reduction program that will result in a carryover of stocks as close as possible to 30 million hundredweight. The lower ARP percentage announced is expected to better achieve this level than would the 22.5 percent that was announced earlier.

Tobacco

USDA Announces 1990 Crop Flue-Cured Tobacco Program--The following provisions other the 1990 flue-cured tobacco program have been announced. Some of the provisions are as follow:

o The national marketing quota for the 1990 crop is 877.7 million pounds down from the 1989 marketing quota of 890.5 million.

o The national average yield goal remains unchanged at 2,088 pounds per acre.

o The support level for the 1990 crop is $1.488 per pound, up 2.0 cents from the 1989 level.

o The national acreage allotment for the 1990 crop is 420,354 acres, down from the 1989 allotment of 426,485.

o For each farm, the 1990 basic quota and allotment will decrease about 1.5 percent from 1989.

o The effective quota is expected to be about 939 million pounds, or 35 million above the 1989 effective quota.

o The no-net-cost program assessment and the amount of the reduction for fiscal 1990 under the Gramm-Rudman-Hollings Act will be announced later.

In a January referendum, producers approved acreage-poundage quotas for the 1989 through 1991 crops.

U.S. Tobacco Industry to Buy 491.5 Million Pounds of 1990 Flue-Cured Tobacco--The U.S. Department of Agriculture has announced that U.S. cigarette manufacturers intend to purchase 491.5 million pounds of flue-cured tobacco, farm sales weight, from the 1990 crop. The 1990 flue-cured tobacco quota will be based upon the total of the intended purchases, the average of flue-cured tobacco exports during the preceding three years (366.1 million pounds) and the quantity of tobacco needed to attain reserve stock levels. The manufacturers' purchase intentions for the 1989 crop of flue-cured tobacco were 543.6 million pounds.

Livestock and Meat

USDA Announces Proposed Changes in Emergency Livestock Feed Program--The U.S. Department of Agriculture's Commodity Credit Corporation, announced proposed changes in the administration of the Emergency Livestock Feed Program to make it easier to use by livestock owners and easier to administer by county offices of the USDA's Agricultural Stabilization and Conservation Service. The proposed changes are:

o Feed needs for eligible livestock will be based on net energy requirements for weight class and type, instead of the present use of daily allowances for animal units.

o The extent of a livestock owner's eligibility for assistance will be expressed in dollars, rather than pounds of feed grain equivalent. Production losses and feed on hand will be converted to dollar values.

o A percentage of the assistance for which a producer is eligible will be made available as an advance payment to assist producers in making additional payment during the feeding period, plus a final settlement at the end of the feed period. This differs form the current program where the producer must furnish receipts for purchase of eligible feed before getting any cost-share payment.

Dairy

USDA Announces Changes in Dairy Price Support Program--USDA announced that the level of price support for milk will be reduced from $10.60 to $10.10 per hundredweight (cwt), effective January 1, 1990. The Omnibus Budget Reconciliation Act of 1989 provides that the secretary may reduce the milk support price by not more than 50 cents per cwt. if purchases of surplus milk and dairy products during the calendar 1990 are estimated to exceed 5 billion pounds, milk equivalent. At the current $10.60 support price, the projected purchases are estimated at 8 billion pounds, milk equivalent-milkfat basis. With the support level at $10.10, purchases in 1990 are estimated at 7.4 billion pounds milk equivalent-milkfat basis. On a total milk solids basis, the estimated 1990 surplus ranges from 3.6 to 4.4 billion pounds, milk equivalent-total milk solids basis. All recent price support adjustments, including the adjustment taking effect Jan. 1, have been made based upon surplus determinations using a milkfat basis. The price support of $10.10 per cwt. is for milk with a milkfat content of 3.67 percent--the national average--and compares with $9.88 per cwt. for milk with a milkfat content of 3.5 percent. The price support program for milk is carried out through CCC purchases of butter, cheese and nonfat dry milk.

USDA Proposes Increases in Dairy Product Grading and Inspection Fees--The U.S. Department of Agriculture is proposing to increase certain fees for its "voluntary" (i.e., industry-solicited) grading and inspection services funded by the dairy industry. The proposed increase reflects a 4.2 percent inflation in operating costs exclusive of salary, a mandated 3.6 percent cost-of-living rise in federal salaries scheduled to take effect January 1990, and a 13.3 percent increase in the government's cost for employee health benefits.

Wool and Mohair

USDA Announces 1990 Wool and Mohair Support Prices--USDA announced that support prices for wool and mohair for 1990 marketings will be $1.82 per pound for shorn wool and $4.532 per pound for mohair. Mohair is being

supported at 85 percent of the percentage of parity at which shorn wool is supported. Pulled wool will be supported at a level comparable to the support prices for shorn wool to maintain normal marketing practices for pulled wool.

Conservation and NAtural Resources

Conservation Reserve Program Participants Due $1.5 Billion--The U.S. Department of Agriculture announced that it will issue nearly $1.5 billion in cash payments to approximately 300,000 producers participating in the Conservation Reserve Program. The annual rental payments are for contracts producers signed to place cropland in the CRP in 1986, 1987, 1988 and 1989. Under the CRP, producers agree to retire highly-erodible and other eligible cropland from production for 10 years.

Conservation Reserve Program to Reduce Erosion on U.S. Cropland by 20 Percent--The U.S. Department of Agriculture's Conservation Reserve Program will reduce soil erosion on the nation's cropland by about one-fifth when the conservation practices are installed. The five states with the most erosion reduction projected per year are Texas, Colorado, Kansas, North Dakota and Iowa. Nationwide, the average soil loss on land in the program is estimated to be reduced from 20.9 to 1.6 tons per acres after permanent vegetation is established. The goal of the Conservation Reserve Program is to retire 40-45 million acres of highly erodible cropland from production. Farmers submitted bids to USDA's Agricultural Stabilization and Conservation Service to put their land into the program. They receive an annual rental payment for putting the land into protective cover, such as grass or trees, for 10 years.

Program Commodities

Planting Options for Producers in 1990 Commodity Programs--USDA announced that producers who participate in production control or use the 0/92 and 50/92 provisions of the 1990 commodity price support and production adjustment programs may plant certain approved nonprogram crops on land designated as conserving use (CU) acreage. The approved crops may not be grown on land designated as acreage conservation reserve. Some of the selected crops are: sunflower, flax, rapeseed, including canola, safflower, castor beans, and mustard seed.

Drought Assistance

USDA Will Aid Tree Farmers Hit by 1989 Drought and Freeze--The U.S. Department of Agriculture's Commodity Credit Corporation will reimburse eligible persons for a portion of certain commercial tree and tree seedling losses caused by the 1989 drought and freeze. Cost-share payments will be made under the 1989 Tree Assistance Program as authorized by the Disaster Assistance Act of 1989, for trees or seedlings planted any year to produce annual crops for commercial purposes. Payments are limited to 1989 losses due to freeze or drought. To qualify, the loss on an individual stand must have been greater than 45 percent, after adjusted for normal mortality. Reimbursement will be made for 65 percent of the cost of replanting that portion of the loss which exceeds 45 percent, adjusted for normal mortality.

International

USDA Announces P.L. 480 Country, Commodity Allocations for Fiscal 1990--The U.S. Department of Agriculture released tentative fiscal 1990 food assistance allocations of $669.1 million under Titles I and III of Public Law 480, the Food for Peace Program. The allocations are part of $776.0 million in planned commodity assistance for fiscal 1990, including some commodities still to be designated. Thirty one countries presently are scheduled to receive approximately 2.2 million metric tons (grain equivalent) of food assistance. These allocations are part of Titles I and III program level of $815.6 million included in the USDA budget sequestration for fiscal 1990.

AGRICULTURE AND FOOD POLICY UPDATE: LEGISLATION

by Susan L. Pollack

To Amend the Disaster Assistance Act of 1989 to Avoid Penalizing Producers who Planted a Replacement Crop on Disaster-Affected Acreage, and for Other Purposes (P.L. 101-134) was signed on October 30, 1989. The law modifies the replacement crop section of the Disaster Assistance Act of 1989 by requiring USDA to reduce disaster payments by an amount that reflects the net value of the replacement crop.

The Child Nutrition and WIC Reauthorization Act of 1989 (P.L. 101-147) was signed on November 10, 1989. The law reauthorizes the Commodity Distribution, School Breakfast, Special Supplemental Food Program for Women, Infants, and Children (WIC), and Nutrition Education and Training programs through fiscal 1994. It also includes other provisions which modify these programs.

Making Appropriations for Rural Development, Agriculture, and Related Agencies Programs for the Fiscal Year ending September 30. 1990, and Other Purposes (P.L. 101-161) was signed on November 21, 1989. The law provides funding for all agricultural programs for fiscal 1990.

To Amend the Federal Meat Inspection Act and the Poultry Inspection Act to Authorize the Distribution of Wholesome Meat and Poultry Products for Human Consumption that are not in Compliance with the Acts to Charity and Public Agencies (P.L. 101-205) was signed December 7, 1989. The law provides the courts with an option for disposing wholesome, confiscated meat and poultry products by permitting them to donate the food to feed the hungry. These products were confiscated because they were mislabelled or otherwise not in compliance with the acts. However, they must be deemed wholesome for human consumption by USDA inspectors.

To Clarify the Food Security Act (P.L. 101-217) was signed on December 11, 1989. The law amends the payment limitation provision of the 1985 farm bill. Under this law, for a tenant to be considered a separate person from the landlord, the tenant must make a significant contribution of equipment used in the farming operation. The law is intended to protect the landlord when tenants do not abide by USDA regulations.

Technical and Correcting Changes in Agricultural Programs (P.L. 101-220) was signed on December 12, 1989. The law allows the ARP for the 1990 crop of oats to be less than 5 percent, promotes the export of meats to commissaries on military bases in Europe, and exempts certain egg producers from the egg checkoff program, among other provisions.

POLICY RESEARCH PUBLICATIONS AVAILABLE

Compiled by R.G.F. Spitze and Edward C. Wilson

Allen, Kristen, editor. Agricultural Policies in a New Decade. 1990. Request a copy of this publication (including payment of $23 for book plus postage and handling) from Marietta Schirf, Publications, Resources for the Future, 1616 P Street, N.W., Washington, D.C. 20036.

Baker, Derek, Milton Hallberg, and David Blandford. U.S. Agriculture Under Multilateral and Unilateral Trade Liberalization--What the Models Say. January 1989. A.E. & R.S. 200. Request a copy of this publication from Milton C. Hallberg, 101 Weaver Bldg., Dept. of Agric. Econ. & Rural Soc., Penn State Univ., University Park, PA 16802.

Blue Diamond Almond Research Center. "The Surgeon General's Report on Nutrition and Health: How Almonds Fit." October 1989. Request a copy of this report from Susan Brauner, Director of Communications, Blue Diamond Growers, 1802 C Street, P.O. Box 1768, Sacramento, CA 95812.

Breimyer, Harold F. An Historic Perspective on Society's Contract with Production Agriculture. June 8, 1989. Request a copy of this publication from Harold F. Breimyer, Dept of Agricultural Economics, University of Missouri, Columbia, MO 65211.

Breimyer, Harold F. The Changing Economy. August 21, 1989. Request a copy of this publication from Harold F. Breimyer, Dept of Agricultural Economics, University of Missouri, Columbia, MO 65211.

Cadenas, Alfredo, and Antonio Fernandez. "Internacionalización del Sector Agroalimentario español de 1975 a 1985." Request a copy of this report from Agricultura y Sociedad (Revista), Subsección de Estudio y Publiccaciones (S.G.T.). Ministerio de Agr., Pesca y Alimentación, 28014 Madrid, (Spain).

Carter, Harold. "Agricultural Issues Center's 1987-88 Studies on Chemicals in the Human Food Chain." Inquire about this list from Harold Carter, Agricultural Issues Center, University of California, Davis, Davis, CA 95616.

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Cramer, Gail L., Eric J. Wailes, and Stan Phillips. "The Impact of Liberalizing Trade on the World Rice Market: A Spatial Model Including Rice Quality." September 1989. Staff paper. Request a copy of this paper from Gail L. Cramer, Dept. of Ag. Econ. and Rural Sociology, Room 221, Ag. Bldg., University of Arkansas, Fayetteville, AR 72701.

DeGorter, H., and E. Fisher. "The Dynamic Effects of Agricultural Subsidy Programs in the United States." Cornell Working Paper 89-9, 1989. Request a copy of this paper from Harry deGorter, 448 Warren Hall, Cornell Univ., Ithaca, NY 14853-7801.

English, Burton C., William Terry Disney, and Stanley A. Schraufnagel. "Resource Conservation Act Analysis: A Documentation of the Endogenous and Exogenous Livestock Sectors of the Agricultural Resource Interregional Modeling System." October 1989. Technical Report 89-TR12. Request a copy of this report from Carol Hunczak, Publications Clerk, Center for Agricultural and Rural Development, 568 Heady Hall, Iowa State University, Ames, IA 50011. Phone (515) 294-7519.

English, Burton C., Elwin G. Smith, Jay D. Atwood, Stanley R. Johnson, and George E.

Oamek. "Resource Conservation Act Analysis: An Overview of the CARD Agricultural Resource Interregional Modeling System." September 1989. Technical Report 89-TR11. Request a copy of this report from Carol Hunczak, Publications Clerk, Center for Ag and Rural Development, 568 Heady Hall, Iowa St. Univ, Ames, IA 50011. Phone (515) 294-7519.

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Gerloff, D., J.W. Richardson, D.G. Smith, and R.D. Knutson. "Effects of Debt and Freezing Target Prices After 1990 on Economic Viability of Representative Crop Farms in Texas." AFPC Working Paper 89-1. Request a copy of this paper from Ronald D. Knutson, Texas A&M Univ., Dept. of Ag. Econ., College Station, TX 77843-2124.

Gerloff, D., J.W. Richardson, E.G. Smith, and R.D. Knutson. "Impact on Representative Texas Crop Farms of Freezing Target Prices at 1990 Level." AFPC Working Paper 89-2. Request a copy of this paper from Ronald D. Knutson, Texas A&M Univ., Dept. of Ag. Econ., College Station, TX 77843-2124.

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Guither, H. D., B. F. Jones, M. A. Martin, and R. G. F. Spitze. U.S. Farmers Preferences for Agricultural and Food Policy in the 1990s. NC Regional Research Publication 321. November, 1989, 50 pp. Request a copy of this twenty-one state survey from Publication Office, Agriculture, ($3 check to University of Illinois). University of Illinois, 69 Mumford Hall, 1301 W. Gregory Dr., Urbana, IL 61801 (Note: Public Policy Specialists in each of the participating states also have a limited supply of this bulletin).

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